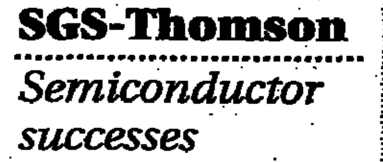
FINANCIAL TIMES

Colombia
BP caught in the crossfire
Page 13



SGS-Thomson
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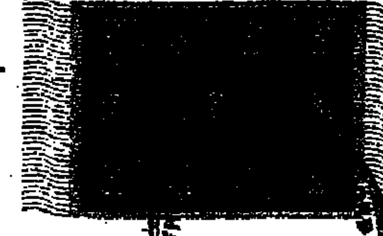


Survey
Middle East capital markets
Separate section

TOMORROW'S **Weekend FT**
A white-knuckle ride in east Russia

World Business Newspaper http://www.FT.com FRIDAY NOVEMBER 8 1996

German jobless figure tops 4m for first time

German unemployment reached a record seasonally adjusted 4.04m last month – a rise of 41,000 during October. Three-quarters of the increase came in the more prosperous west of the country. The figures, coming on top of news of falling industrial output and orders in September, raised fears about the strength of Germany's recovery and of a further sharp rise in unemployment during the winter. Page 14

Zaire refugee crisis: The plight of up to 1m refugees in east Zaire deepened as efforts to co-ordinate an international response to the crisis appeared near collapse. While Rwandan refugees began dying in the mountains of eastern Zaire, EU development aid ministers could agree only to send a new fact-finding team to the area. Page 6 ; Editorial Comment, Page 13

Scania shocks market: Third-quarter taxable earnings at Swedish truck maker Scania dived nearly 95 per cent to SKr40m ($6.1m) . The figures sent Scania shares on a 5 per cent slide. Page 15; World stocks, Page 34

Cyclone lashes India: A fierce cyclone struck Andhra Pradesh state in south east India, killing at least 374 people and destroying 10,000 homes. Some 1,500 people are missing.

Sony set for record profits: Japanese electronics and entertainment group Sony forecast record operating profits after a strong first half in which the consolidated pre-tax figure doubled to Y109.4bn ($968m). Page 15

Mars next stop: The US probe Mars Global Surveyor was blasted off from Cape Canaveral aboard a rocket. The probe is meant to begin a two-year mapping mission in March 1998.

Death sentence: The US Supreme Court refused to suspend the death sentence for convicted killer Joseph Payne, whose claim of innocence was backed by four jurors and the victim's mother. His hopes of avoiding execution last night rested on a clemency petition to Virginia governor George Allen.

Berlin Wall to be saved: A group of German property developers, politicians and historians plans to rescue decaying segments of the Berlin Wall as a political symbol and tourist attraction. The wall divided the city for nearly 30 years until communism collapsed in 1989.

Air crash kills 7: Seven Swiss people were killed when a privately owned Cessna 421 flying from Geneva to Bordeaux crashed in a woods near the central French town of Donzeil.

New World Development, Hong Kong-based property group, improved annual net profits by 21.9 per cent to HK$4.16bn ($538m), helped by a HK$1.15bn exceptional gain from spinning off two divisions last year. Page 18

Play it again: Football's ruling body Fifa said Scotland must replay their World Cup qualifying round against Estonia. Scotland thought they had been awarded the match in Tallinn last month when the Estonian team failed to turn up for the kick-off. World Cup co-hosts in uneasy deal, Page 14

Russians keep the red flag flying:

An estimated 20,000 communists marched through Moscow (above), marking the 79th anniversary of the Russian Revolution with calls for Boris Yeltsin's resignation. Communist leader Gennady Zyuganov, who led the Moscow march, attacked the president and his government, alleging they were "unable to govern".

FT columnist Barry Riley has been voted National Journalist of the Year for 1996 by members of the Association of Unit Trusts and Investment Funds for his coverage of unit trusts.

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	6,179.95	(+2.24)
NASDAQ Composite	1,252.89	(+7.40)
Europe and Far East		
CAC40	2,211.81	(-1.56)
DAX	2,713.22	(-15.97)
FTSE 100	3,900.4	(-35.3)
Nikkei	20,771.11	(-220.41)

US LUNCHTIME RATES

Federal Funds	5 5/16%
3-mth Treas Bills: Yld	5.15%
Long Bond	101 21/32
Yield	6.62%

OTHER RATES

UK: 3-mo Interbank	6 5/16%	(6 3/16%)
UK: 10 yr Gilt	98 11/32	(99 1/32)
France: 10 yr OAT	104.48	(104.61)
Germany: 10 yr Bund	102.3	(102.36)
Japan: 10 yr JGB	102.9791	(103.657)

NORTH SEA OIL (Argus)

Brent Dated	$21.725	(21.895)

GOLD

New York Comex (Dec)	$379.6	(378.7)
London: close	$380.45	(377.95)

DOLLAR

New York lunchtime		
£	1.5495	
DM	1.50665	
FFr	5.0955	
SFr	1.2645	
Y	111.565	
London:		
£	1.6487	(1.6417)
DM	1.5078	(1.5164)
FFr	5.098	(5.122)
SFr	1.2685	(1.2766)
Y	111.765	(113.805)
Tokyo close:	Y 112.65	

STERLING

DM	2.4829	(2.4894)

Finance ministry says markets 'too pessimistic' about economic prospects

Tokyo official's comments trigger sharp rise in yen

By William Dawkins in Tokyo

The senior Japanese official responsible for exchange rate policy yesterday helped trigger a sharp rise in the yen by claiming world capital markets had underestimated the Japanese economy's strength.

Mr Eisuke Sakakibara, director general of the finance ministry's international finance bureau, dismissed as exaggerated a Japanese newspaper report quoting him as saying the government would not lead the yen much lower against the dollar. But he argued in an FT interview that the market was too pessimistic on economic prospects.

The dollar fell Y2.1 yesterday against the yen to close at Y111.7 in London. The D-Mark lost Y0.95 against the Japanese currency, closing at Y74.10. The Nikkei 225 index of leading shares in the Japanese stock market dropped 1.05 per cent to 20,771.11.

Until yesterday, the yen had been falling for months and it is still about 40 per cent below its Y79.75 record high against the dollar 18 months ago.

In the cash market, yields on the benchmark 10-year bond rose from 2.5 per cent in Tokyo to 2.61 per cent. The price fell to 102.98, from 103.66.

Investors worry that if the Japanese economy did start to recover more strongly the Bank of Japan would begin to raise interest rates.

Mr Sakakibara denied that the government had been seeking a competitive devaluation to stimulate the economy, as suggested by Mr Fred Bergsten, director of the US Institute for International Economics. "This is certainly not the case. We have not manipulated the market and have no intention of doing so," he said.

However, Mr Sakakibara argued "the market seems to be a little too pessimistic on the Japanese economy. The recovery seems to be taking place fairly steadily, but we have not seen robustness yet." Forecasts of 1 per cent growth in gross domestic product in the fiscal year, by Nomura Research Institute and the Industrial Bank of Japan, were "too pessimistic", he said.

Any comment by Mr Sakakibara, nicknamed Mr Yen by foreign exchange dealers, is scrutinised with great care. He is widely held to have masterminded the campaign to bring the yen down from its record high last year when the currency was so strong that most of Japan's exporters were unprofitable, threatening a full-scale depression.

Mr Sakakibara said yesterday that he believed private sector economists' gloomy view of the Japanese economy was based on a "misplaced perception" that the government of Mr Ryutaro Hashimoto, formed yesterday, would proceed conservatively on economic deregulation.

On the contrary, "Mr Hashimoto will implement fairly aggressively certain areas of reform," Mr Sakakibara predicted. The prime minister contacted the ministry two weeks ago to say he wanted further deregulation of the financial system and hoped to draw up concrete plans after the formation of a cabinet.

Mr Sakakibara said the decline in Japan's current account surplus, a factor in the yen's depreciation, appeared to be weakening.

The ministry earlier announced Japan's cleared trade surplus for the first 20 days of October rose 22.1 per cent to Y231.15bn ($2bn) from the same period last year, the first rise since August 1995.

Currencies, Page 23
Bonds, Page 22

Hashimoto selects all-LDP cabinet

Mr Ryutaro Hashimoto (above) yesterday bows to fellow lawmakers after he was re-elected for a second term as Japan's prime minister. He won 262 votes in the first round of voting in the 500-seat lower house of parliament, thanks to the support of his former coalition partners, the Social Democratic and New Harbinger parties. Mr Hashimoto appointed the first cabinet made up entirely of Liberal Democratic party members in 3½ years. The LDP's former partners declined to join the cabinet, instead offering loose parliamentary co-operation. Report, Page 4 Picture: Reuter

Paris canvasses banks on Crédit Lyonnais sale

European rivals thought to be deterred by its current shape

By John Gapper in London and David Owen in Paris

The French finance ministry has approached some European banks and financial institutions to discover whether there are terms on which it could sell Crédit Lyonnais, the troubled state-owned bank.

Goldman Sachs, the US investment bank advising the French government on Crédit Lyonnais, has contacted a number of big banks, including Barclays. It is thought to have been told that the bank is unsaleable in its current shape.

The French government, which has injected subsidies of FFr49bn ($10bn) to rescue it from losses following its uncontrolled expansion in the 1980s, has said it intends to privatise the bank as rapidly as possible.

However, the banks approached are thought to have insisted that they would only consider taking control of Crédit Lyonnais if they were free to reduce its domestic branch network and make many staff redundant.

The disclosure comes at a delicate time for the government, which is struggling with union indignation over plans to sell part of the state-owned Thomson electronics giant to Daewoo of South Korea.

One banker said he thought it would have to relax restrictions in employment law for any European bank to be interested. "It has a decent franchise, but a very bad cost base," he said.

Goldman Sachs was thought to have circulated a dossier on Crédit Lyonnais to several potential buyers. Mr Jean Arthuis, the French minister of finance, has said the Treasury would consider offers to take a minority or majority stake.

Mr Jean Peyrelevade, Crédit Lyonnais' chairman, said last month that it would require a further injection of FFr12bn to strengthen its balance sheet for privatisation. It needed to raise its capital ratios to an acceptable level.

However, its sale to another bank with a stronger balance sheet would avoid this. It would also mean the finance ministry would avoid having to make the case for another cash injection to the European Commission.

Six weeks ago the Commission, which has been advised by the US investment bank Lehman Brothers, approved a fresh FFr3.9bn bail-out for Crédit Lyonnais and criticised the government for not keeping it informed of the state of the bank.

Mr Peyrelevade said last month that he would not mind if Crédit Lyonnais ended up with "one or several non-French European shareholders".

"I sometimes think that would be better than a big French investor," he said.

Other investment banks are also thought to have been offering parts of Crédit Lyonnais for sale. One has approached bankers with an offer to sell Crédit Lyonnais' operations in Portugal.

Mr Peyrelevade said yesterday in an interview with Les Echos, the French financial newspaper, that he thought it would take two years to get Crédit Lyonnais into a position where it could be privatised, but its viability was "now assured".

MasterCard seeks majority stake in smart card group

By Tim Burt in London

MasterCard International, the credit card consortium, has stepped up its bid to take a leading position in the embryonic cash card business by agreeing to acquire a majority stake in Mondex International of the UK.

Mondex is a leading developer of "electronic purses" – plastic cards with memory chips that can be "loaded" with cash and used for small purchases.

The deal is expected to give MasterCard 51 per cent of Mondex, set up by National Westminster and Midland of the UK but now jointly owned by 17 banks.

Under the agreement, MasterCard would promote the Mondex electronic cash card through banks which carry its franchise.

The Mondex system has been piloted in Swindon, southern England, and Hong Kong.

It works by storing cash on a microchip card, which can be loaded using automatic telling machines or specially equipped telephones.

Cards – including credit, debit and store cards – are used for payments worth an estimated £2,000bn a year.

MasterCard believes Mondex could give it a greater share of that market, although some industry observers doubt the appetite for such cards.

The acquisition could exacerbate tensions between MasterCard and Visa, its main rival, in attempts to establish an industry-wide standard for chip cards. Visa has already tested its electronic purse at the Atlanta Olympic games last summer and in Spain, Australia and Argentina.

It is understood Mondex would become a free-standing subsidiary of MasterCard, and its existing management is expected to remain.

Banking analysts said the deal could signal an admission by MasterCard that trials of its electronic purse had not proved an unqualified success.

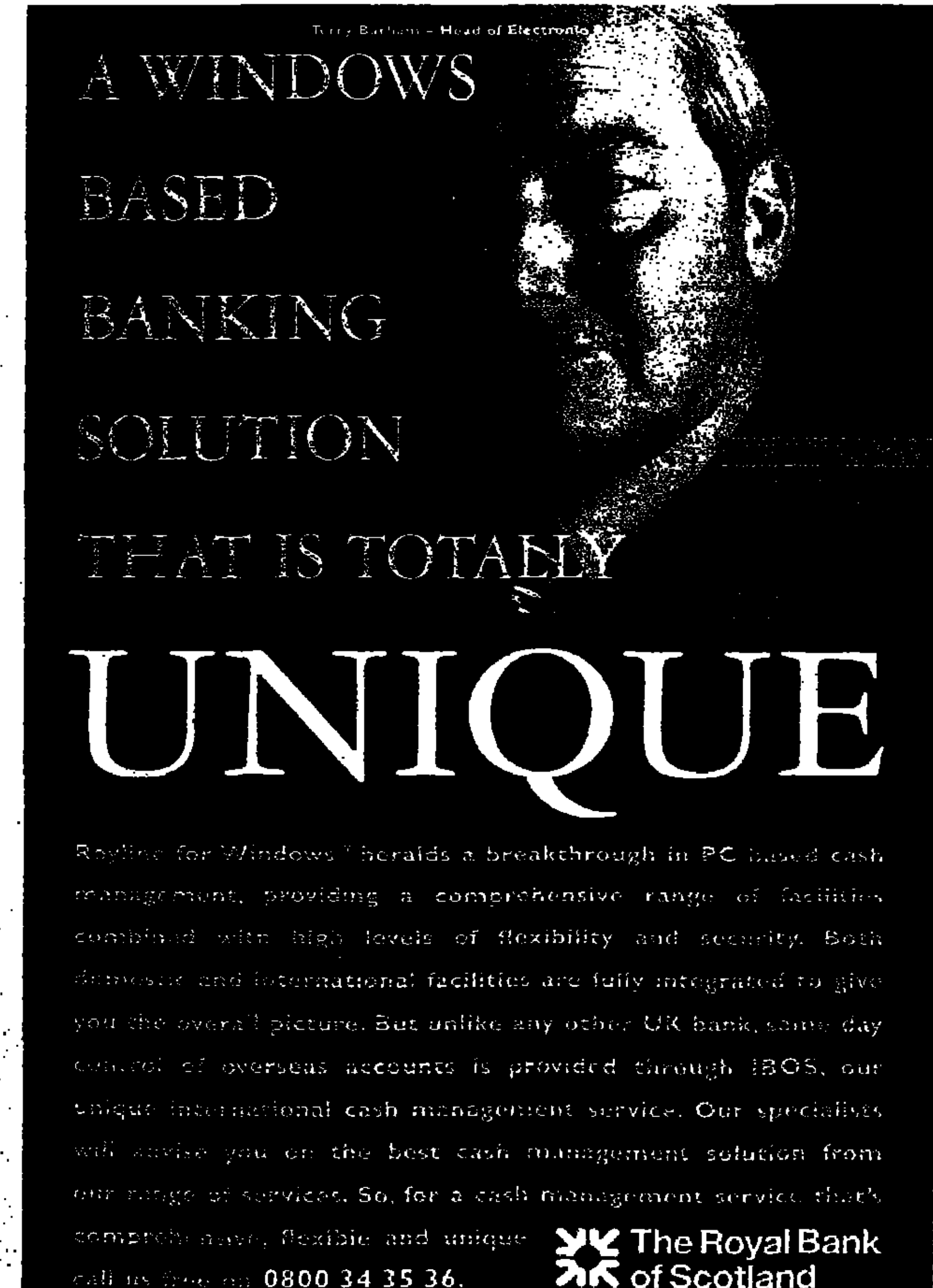
Yesterday, however, MasterCard said it would be conducting a full trial of its own smart card in New York next March.

Electronic purses are undergoing trials elsewhere in Europe and North America, and some of Mondex's rivals claim it does not conform to the international standards for chip cards developed by companies such as Visa and Europay.

Mondex has had a mixed reception among UK customers and retailers but said this week that it had been received enthusiastically in the Far East.

In Hong Kong – where Mondex was launched last month in conjunction with Hongkong Bank and Hang Seng Bank – more than 20,000 customers and 400 stores have signed up to join the scheme at the two malls where it is being tested.

New way to pay, Page 6



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Albania	LEK 275	Gibraltar	£0.75	Lithuania	Lts 18.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR13
Bahrain	Din1.300	Hong Kong	HK$20	Malta	Lm0.70	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft270	Morocco	MDh18	Slovak Rp	Sk75
Cyprus	C£1.30	Iceland	IKr260	Neth	Fl 4.75	S. Africa	R12.00
Czech Rp	Kč70	India	Rs75	Nigeria	Naira125	Spain	Pta250
Denmark	DKr20	Israel	Shk8.00	Norway	NKr22.00	Sweden	SKr20
Egypt	E£5.00	Italy	L3200	Oman	OR1.75	Switz	SFr3.70
Estonia	EKr 28	Japan	Y500	Pakistan	Rs50	Syria	S£80.00
Finland	FM18.00	Jordan	JD1.75	Poland	Zł 6.00	Tunisia	Din2.000
France	FFr12.00	Kuwait	Fils.750	Portugal (m'land)	Es265	Turkey	L120,000
Germany	DM4.00	Lebanon	LL3500			UAE	Dh13.00

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Major urges France to learn from Britain

By John Kampfner in Bordeaux and David Buchan in Paris

Mr John Major last night suggested the French had lessons to learn from British economic management as he arrived in Bordeaux for a summit with President Jacques Chirac.

The UK prime minister, accompanied by five cabinet members, appeared to set the meeting's tone by contrasting difficulties facing Mr Chirac and his premier, Mr Alain Juppé, with "one of the strongest economies Britain has seen for generations".

"Compare that with what is happening in the rest of Europe," Mr Major said. "Youth unemployment in Britain is 15 per cent – still too high – but in France it's well over 26 per cent... In Britain we've seen the number of days lost to strikes fall to the lowest ever. In France many of their public services have been paralysed by walkouts."

Mr Major's indelicate critique of his hosts seemed designed more for domestic consumption. Amid a warning by Britain that it is prepared to scupper the intergovernmental conference on updating the Maastricht treaty in response to a forthcoming European Court ruling on the 48-hour week directive, Mr Major's remarks were unlikely to encourage Mr Chirac to take Britain's side in arguments over EU reform.

In an interview with yesterday's Le Monde newspaper, the UK premier played down monetary union as a summit topic, saying that Britain "has not closed any door" on the single currency, but wanted to ensure "the economic conditions are right and all the consequences of such a major revolution are fully taken into account".

European defence issues would be the *plat de résistance* at the summit, he insisted. But rebuffing any idea of a defence role for the EU, he vaunted the growing bilateral defence co-operation between Paris and London in the broader framework of the Western European Union and Nato.

He called for "flexible and realistic" co-ordination of foreign policy within the EU, giving countries like France and Britain a margin for diplomatic manoeuvre in regions like the Middle East. Mr Major said he had long favoured more flexible arrangements inside the EU, and particularly wanted to explore French ideas on this in Bordeaux.

Mr Charles Millon and Mr Michael Portillo, the two countries' defence ministers, will today sign a naval co-operation agreement focusing on maritime operations, logistic support, personnel, training and procurement.

Mr Chirac and Mr Juppé last night hosted a dinner for both government delegations. The formal round of talks takes place today.

Plea for equal pay for all MEPs

By Neil Buckley in Brussels

The president of the European parliament yesterday called for all MEPs to be paid the same salary.

At present, they earn the same as members of their respective national parliaments. This leads to big differences in basic pay, although members' living and travel allowances are standardised. Any change, however, could provoke a row with national parliaments and would have to be approved by EU ministers.

While making his plea on pay yesterday, Mr Klaus Hänsch failed to back proposals from some members for tough measures to combat abuses of parliament's generous expense system. He insisted that only a minority of MEPs were involved in expenses fraud, and blamed an "anti-European campaign by the media in one member state" – Britain – for drawing undue attention to the problem.

Mr Hänsch summoned leaders of parliament's political groups on Wednesday night to discuss changes in allowances after a UK television documentary, subsequently screened in other EU states, showed secretly filmed footage of abuses.

One MEP told the programme she donated a £40,000 ($65,200) annual surplus on her allowances to charity.

MEPs collect tax-free allowances for journeys from home to parliament sessions in Brussels or Strasbourg of Ecu0.76 ($1) per kilometre for the first 400km, and Ecu0.38 per km thereafter, regardless of how they travel.

They also receive attendance allowances of Ecu219 per day for official meetings within the EU, plus other allowances for trips outside and for office staff.

Presenting reform plans yesterday, Mr Hänsch promised to make allowances more "transparent and appropriate". But he failed to back proposals from Mr Poul Schlüter, the former Danish prime minister who is now a Christian Democrat MEP, for expenses at parliamentary sessions to be paid only when votes had been registered electronically.

Mr Hänsch said members would still be allowed to sign in on the final morning of parliamentary sessions, entitling them to full daily expenses, then leave for home – an activity highlighted in the TV documentary.

"Ever since parliament has been here, everybody has known that Friday has to be used as a day to travel home," Mr Hänsch said. "People have to be able to go back and talk to the communities they represent."

He also rejected calls for tougher sanctions against rule-breakers, insisting it was sufficient for those found to have claimed money dishonestly to be made to repay it.

Mr Hänsch supported the principle of replacing travel allowances by direct reimbursement of costs, but said there should be extra compensation for MPs travelling long distances.

"This is not like a national parliament. We have people travelling from Lapland, or Tenerife, or the Cyclades, to Brussels," he said.

Russians consider Croatian oil pipe

By Anthony Robinson in Zagreb and Kerin Hope in Athens

The Russian oil industry is having second thoughts about plans to build a 350km pipeline costing over $600m from the Bulgarian port of Burgas to the northern Greek port of Alexandroupolis.

Instead, the Russian oil ministry and Transneft, the Russian oil pipeline company, are negotiating with INA, the Croatian oil company, on a proposed $120m plan to transport up to 14m tonnes of Russian oil a year along the Jadran pipeline.

The Croatian pipeline, which was built in 1979, connects with the former Soviet Druzhba (friendship) pipeline – which begins at Orenburg – at Gola in northern Croatia. It terminates at the Croatian deep-water oil port of Omisalj near Rijeka in the northern Adriatic.

Omisalj has extensive under-used storage facilities and is capable of accommodating two 400,000dwt tankers at a time. By taking oil along upgraded pipelines to Omisalj the Russian oil industry would save money and gain easier access to markets in Italy and the western Mediterranean.

Russia's search for enhanced access to European oil markets reflects Moscow's determination to establish itself as the main conduit for the estimated 60m-70m tonnes a year of oil from the Caspian region which is expected to come on stream early next century.

The original plan to ship future Caspian and central Asian oil from the Russian Black sea oil port of Novorossisk to Burgas and then by a new pipeline to the northern Aegean was designed to circumvent the Bosphorous.

But the plan has several disadvantages. These include environmental objections to the passage of large oil tankers through the crowded, tourist-oriented Aegean sea and the cost of building both a new pipeline and additional storage facilities at both ends.

Mr Andrija Kojakovic, managing director of INA, which has a 33 per cent stake in the Jadran pipeline, told an investment conference in Zagreb yesterday: "The Russians are interested in using the pipeline to export crude and see it as an alternative to the Bulgarian project."

A representative of the Latsis organisation, the Greek shipping and oil group which launched the Burgas project two years ago, said he was surprised. He said the Burgas project seemed to be back on track after months of delay caused by Bulgarian demands for a larger equity stake in Trans-Balkan Pipeline.

Call to switch EU aid away from farming

By Caroline Southey in Cork

Mr Franz Fischler, European Union's agriculture commissioner, has called for a radical shift in EU farm policy under which aid for farmers would be redirected to supporting other economic activities in rural areas.

Speaking at a conference in Ireland, he presented the outlines of a new approach which would bring the two biggest sources of EU funds, the common agricultural policy and regional aid, under one umbrella.

At present two distinct policies operate: one aimed at aiding poorer EU regions, the other at paying farmers to produce agricultural products.

Mr Fischler admitted that key events in 1999 were forcing EU policymakers to consider changes in farm aid and regional funding. These included drawing up the Union's next five-year budget plan together with a review of agricultural and regional spending, enlargement to eastern Europe and a new round of world trade talks which will force cuts in farm aid.

EU officials said Mr Fischler's determination to force a rethink of policies was driven primarily by the fact that the next round of world trade rules would limit the Union's ability to subsidise food production. Said one: "We will have to move towards more direct income support. But we will have to become more sophisticated in the way we make these payments. They can no longer just go to the agricultural sector."

Farmers were "no longer in the majority in rural areas".

Mr Fischler said the EU "must go beyond securing the future of European agriculture. All rural development policy must foster the creation of jobs outside agriculture and the improvement in the range of services on offer".

He left open the question of whether merging the budgets would lead to a reduction in funds. However, he called for a wider distribution of regional development money, which reaches only a third of the EU's rural communities. A budget of Ecu33bn ($42bn) spread over five years is spent largely in the poorest regions of Portugal, Spain, Ireland, Italy and Greece.

Mr Fischler also attacked the fragmented approach to rural areas under which funds are channelled through rural development projects, the CAP and social funds. More than 400 different schemes are funded under the rural aid budget alone.

"These policies have grown up independently of one another. It is not surprising this has led to incoherencies, contradictions, overlapping and even conflict," Mr Fischler said.

He argued forcefully that the EU had an obligation to support rural areas where increasing productivity and competition were causing higher rates of unemployment.

"Structural weaknesses are destroying the prospects of rural areas: they are dwindling away because of gaps in infrastructure, too few jobs and inadequate services," he added. These weakness were "discouraging companies from setting up in the country".

Rural areas could only survive if they offered the location for a wide range of services including agriculture, forestry, crafts, tourism and industry.

A Muscovite carries a portrait of Lenin during celebrations of the 79th anniversary of the Bolshevik Revolution, an official holiday which next year is to be renamed "Day of Accord and Reconciliation" under a decree signed by President Boris Yeltsin. The president is making a good recovery from his quintuple heart bypass operation earlier this week. Reuter

Welfare crisis in Hungary

By Kester Eddy in Budapest

Hungary's welfare minister, Mr Gyorgy Szabo, has tendered his resignation amid a growing financial crisis in the country's public health sector. However, he has agreed with Mr Gyula Horn, prime minister, to delay his decision for two weeks, when he says he will explain his reasons.

Mr Szabo took over in March last year following his predecessor's resignation over austerity measures. He would be the tenth minister to resign since the Socialist-Liberal coalition took power in 1994.

His announcement came in a week when a leading Hungarian pharmaceutical company, Human Rt, refused further deliveries to hospitals until debts of Ft450m ($3m) are cleared. Human Rt resumed deliveries on Wednesday on condition the debts were paid by November 22.

Hospital debts total Ft4.6bn, nearly half which is owed to pharmaceutical companies, according to Mr Gyula Koevecs, chairman of the Hungarian Hospitals Association. The government yesterday doubled emergency funding to hospitals to Ft4m. The welfare ministry puts the total deficit in the social security budget this year at Ft60bn. The main problem is the failure of loss-making companies to pay contributions.

The Socialist-led coalition has made real attempts to cut the level of health spending. Mr Szabo began a programme to eliminate 10,000 hospital beds, many of them surplus to requirements.

Slovene voters continue to look westward

Jack Grimston on an election that is mostly about who enjoys the fruits of reform and the break with the past

The smallest republic to have emerged from former Yugoslavia elects a new parliament on Sunday. Five years into statehood, the 10-day war which won 2m Slovenes their independence seems increasingly distant.

Aspirations are focused westwards, on neighbouring Italy and Austria and the European Union itself, of which Slovenia became an associate member in June.

"The big questions on the country's future have already been settled," says one western diplomat. "This election is about whose hands are on the levers of power."

The prime minister, Mr Janez Drnovsek, appears confident of victory. According to a spokesman for his party, Liberal Democracy of Slovenia (LDS), Mr Drnovsek is "not really our front-man". He has left most campaigning to middle-ranking ministers.

Mr Drnovsek's party leads the opinion polls, although only with about 15 per cent. Most observers believe he will be at the centre of the new government.

Mr Drnovsek, a leader in communist-era Slovenia, became prime minister in 1992. He replaced a short-lived centre-right regime, which broke into its constituent parties after seeing the country through to independence. Mr Drnovsek held on to power after general elections later that year.

The prime minister commands respect as a sound manager who has preserved democracy and stability and eased Slovenia into a market economy during the depression which followed independence. He then presided over a recovery which saw gross domestic product grow by 4.9 per cent in 1994 and 3.5 per cent last year.

Only pensions, currently swallowing one-third of government spending, threaten the balanced budget which has helped to conquer Yugoslav-era hyper-inflation. The LDS has risked electoral unpopularity by naming pension reform as a top priority.

There appears, however, to be little public enthusiasm for the campaign. The Slovenian People's party (SLS), a centre-right group-ing running second in opinion polls, was delighted when all 50 seats were filled at a recent public meeting in Ljubljana, the capital.

Some 40 per cent of the 1.5m voters have still not made up their minds or will not tell. Another 10 per cent say they will not vote.

Some parts of the country are more enthusiastic than the capital's 270,000 people. Industrial workers and the unemployed, especially in old manufacturing centres, such as Maribor and Celje, east of Ljubljana, feel left behind in the new economy with its accompanying decline of heavy industry.

Much of Mr Drnovsek's support will come from the new middle-classes who have benefited from economic reform. According to Ms Mili Kus, who runs a brokerage at the Stock Exchange, "the LDS have shown they have the most able technocrats".

The Christian Democrats (SKD), although nominally a partner in the present government coalition, have been working with other right-wing parties in a three-way alliance known as "Slovenian Spring", which has the best chance of unseating the government. But the SKD looks the weakest of the three. It is linked with the fading battles which followed the second world war, when Christian Democrats vied with communists.

The most popular "Spring" party is the SLS, led by two brothers, Janez and Marjan Podobnik. This rural-based party "aims to bring tradition rural values into the city", and, curiously, "to emit positive energy". More concretely, it supports increased power for local government and protection for farmers against cheap imports. It appeals to some urban voters by being the only major party never to have been in government.

The third party, Mr Janez Jansa's Social Democratic party (SDS), is close behind the SLS in opinion polls and has been the government's most persistent critic since Mr Jansa's resignation as defence minister in 1994.

What unites the "Spring" parties is opposition to the ruling elite. "Slovenia is not a legally based state," says Mr Janez Podobnik. Money and influence still flow through the old communist channels linking government, media, companies and banks, the opposition argue. By delaying reform of the judicial system and denying it funds, they accuse the government of allowing managers to get away with channelling millions of dollars into foreign bank accounts during privatisation.

Ms Romana Logar, director of the government agency responsible for pursuing these "economic criminals", says that none of the 309 accused has been successfully prosecuted. "I could not enforce any kind of rectitude through argument," she says, and decided to become an SDS candidate.

Even those who acknowledge the government's managerial ability are worried. According to Ms Kus, "given the way people in power have behaved so far, any more liberalisation could just mean more abuse of power".

How German jobs were lost to the neighbours

Never mind Asia, competition is much nearer home, finds **Michael Lindemann**

Mr Petr Tesarek, mayor of the Czech town of Husinec, has a businesslike air about him which rarely permits him to smile. But take him to the plot of waste ground alongside the main road into Husinec and he finds plenty to be pleased about.

Construction begins there next spring of a factory for the Schott-Zwiesel glassworks, part of Germany's Schott group, Europe's largest makers of specialised glass.

While Mr Tesarek may have reason to smile, glassworkers just 40 minutes away on the other side of the German border do not. The 250 or so jobs which the residents of Husinec stand to gain will have been taken away from Zwiesel, a prosperous and picturesque little Bavarian town just 50km away as the crow flies.

Schott-Zwiesel used to employ 1,700 people only nine years ago. That workforce has since been halved, partly because labour costs between eight and ten times more in Germany than it does in the Czech Republic, according to Mr Michal Skrabis, a young consultant helping Schott-Zwiesel re-site part of its operations in Husinec.

Moving the 250 jobs from Zwiesel demonstrates vividly the pressures on German industry. This time, however, the competition is not global, but nearer home.

"People talk a lot about the competition we are facing from developing economies in Asia," said an exasperated engineering executive. "The fact of the matter is that we have Hong Kong on our doorstep."

Such relocations also spell trouble for factories all over the Bayerischer Wald, the hilly woodland region which runs up to the Czech border. Aside from glass, the region is well known for its porcelain, ceramics, textile and clothing industries, all of which have had to reduce their expensive workforces sharply following a cruel twist of fate.

"For decades they suffered from the fact that the border was closed and they were on the edge of the world," says Mr Dieter Kappler, spokesman for the Schott group. "Now they suffer from exactly the opposite: the border is open and everything can be produced much more cheaply just on the other side of it."

Many German companies have taken advantage of the cheaper labour in eastern Europe. The machine tool industry makes components in Slovakia and Bulgaria, while parts of the textile industry have moved to Romania and Slovenia.

Rarely, however, have companies done quite what Schott-Zwiesel has done – moving production only just across the border where, according to Mr Robert Hartel, a member of the two-man management board, the plant can be run as an extension of the parent company.

Since it is less than two hours away, managers from Zwiesel will be able to give detailed technological support. They will also, Mr Hartel admits, be on hand to try to ensure that the Czech employees are as productive as their German counterparts. "They have a very different rhythm in the Czech Republic," he points out.

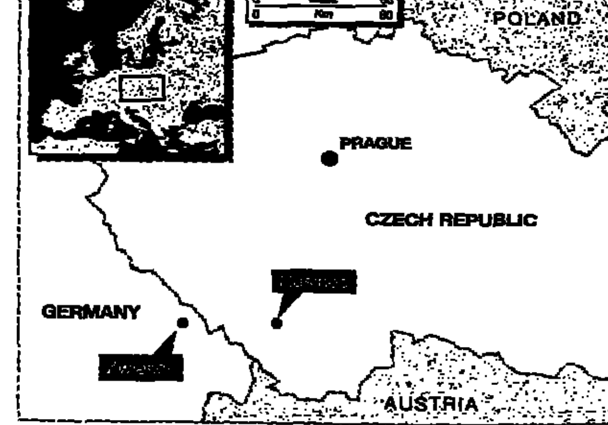
Mr Tesarek, meanwhile, has few worries about the fact that Czech workers might not be as productive as their German counterparts. "The Germans don't work harder or faster," he says, sitting in his office overlooking Husinec's high street. "It's all a question of how the work is organised. German workers don't need to wait for materials; everything functions perfectly."

Many of Husinec's workers commute up to 100km a day to work in Germany or nearby Austria, he says. The fact that they have had little trouble getting work there proves how "productive" they are.

The move to Husinec is also, ultimately, designed to preserve jobs in Zwiesel. Management there argues that if it can move the labour-intensive parts of the glass-making business to Husinec – those glasses that still have to be blown by hand – around 700 jobs can be preserved in Zwiesel.

About DM14m ($9m) a year, approximately 10 per cent of sales, is being invested in new technology and Mr Hartel, fresh from a management course at Harvard, works long hours to streamline production processes and try to instill new management techniques in his employees. Older businesses such as the glass industry, which did well for years, never had much incentive to change, he says.

Whether they will manage in the long run to keep jobs in Zwiesel remains to be seen. For the time being, unemployment among the 10,000 residents stands at just 6 per cent. Many of those who have lost their jobs at Schott have found new ones in the region's buoyant tourism trade. If, however, the Germans see their spending power dwindle further – and the Czechs offer similar tourist facilities for less money – Zwiesel may not be assured of such a soft landing for much longer.



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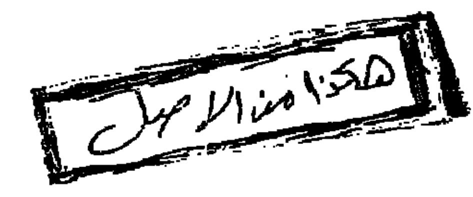


NEWS: EUROPE

EUROPEAN NEWS DIGEST

Milosevic war crime warning

The senior US human rights envoy yesterday warned President Slobodan Milosevic of Serbia to hand over indicted war criminals or face further economic and political isolation. Mr John Shattuck, assistant secretary of state, said in Belgrade yesterday that "international financial assistance and access to international organisations... depend on much more co-operation with the International War Crimes Tribunal," as agreed in the Dayton accords.

The warning came as US General William Crouch took over the command of the Nato-led Implementation Force (Ifor) from Admiral Joseph Lopez six weeks before the end of its mandate. Nato's secretary-general, Mr Javier Solana, who attended the ceremony at the Sarajevo airport, said that Ifor's work "is not yet over".

Although the military side of the Dayton agreement has been implemented more smoothly than expected, critics say that Ifor should have taken steps to arrest indicted war criminals. Only eight of 74 suspects are in the custody of the international tribunal.

UN sanctions against Serb-led Yugoslavia – suspended last December with the signing of the Dayton pact – were lifted last month. But a so-called "outer wall" of sanctions remains, hinging on compliance with the Hague tribunal and a resolution of the deadlock in Serbia's mostly Albanian province of Kosovo. *Laura Silber, Belgrade*

Reebok in sponsorship row

The top team in the Dutch soccer league, Feyenoord, is threatening legal action against the US sportswear company Reebok International over the breakdown of a Fl 25m ($14.7m) sponsorship deal. Feyenoord accused Reebok of reneging on a five-year deal, due to start next summer, to sponsor the Rotterdam club. Reebok said the December 1995 deal was only an agreement in principle.

Feyenoord was also unhappy at Reebok's insertion of an opt-out clause should Feyenoord's notorious fans "seriously misbehave". Reebok was also said to have pulled out because Feyenoord's amateur team was going to continue to wear shirts emblazoned with the logo of Adidas, one of Reebok's main rivals and Feyenoord's current sponsors. *Reuter, Rotterdam*

Romania to speed up reform

Romania's centre-right victors in last Sunday's parliamentary elections yesterday outlined measures to speed up reform and said their government would take a more realistic approach to efforts to join the European Union and Nato.

The Democratic Convention and the Social Democratic Union (USD), which yesterday signed a government pact, said their priority was to free the exchange rate, tighten monetary policy and overhaul the fiscal system, including a sharp reduction in direct taxes.

The outgoing left-wing government froze the exchange rate at an artificially high level and granted large subsidies to agriculture. Such measures led to a deterioration in the economy, including a doubling of inflation to 3 per cent a month. The two groups, which will have a majority of about five in parliament, said Romania would have to work hard to close the gap with other central European countries to join the EU and Nato in the first wave of enlargement.

Mr Emil Constantinescu, the Convention leader, faces a close run-off against the former communist, President Ion Iliescu, in the second round of the presidential election on November 17. Mr Petre Roman, USD leader, who came in third in the first round, urged his supporters to back Mr Constantinescu. *Virginia Marsh, Bucharest*

Bank tots up cost of Emu

Creditanstalt, Austria's second biggest bank, estimates that the introduction of the single European currency could cost it up to Sch1bn ($93.5m) over two to three years. Mr Roman Fojtl, a board member, estimated that the one-off organisational costs could be as much as Sch500m and revenues would fall by a similar amount.

Austrian banks generally have calculated the overall cost to them of introducing the euro at Sch8bn and estimated that an additional Sch3.5bn would be lost in revenue through the drop in business in areas such as foreign exchange trading. Creditanstalt's cost figure is roughly in line with European banking industry estimates that the transfer to a single currency will be the equivalent of roughly 2 per cent of bank operating costs for each year of the changeover. Creditanstalt's operating costs, excluding depreciation, are running at around Sch10bn a year. *William Hall, Zurich*

Austrian bankruptcy record

Austrian insolvencies are expected to reach a new post-war high this year, reflecting a slowdown in the economy, Austria's credit watchdog said yesterday. The agency said it expected the number of company failures to reach 5,400 this year, up 8 per cent on last year's 4,994.

Economic growth is expected to slow to 0.7 per cent this year, from 1.8 per cent last year, and to remain at around 1 per cent in 1997. Some observers have linked the record number of company failures, accompanied by rising unemployment, to the far right's surge in Austria's European Parliament elections last month. *Reuter, Vienna*

Warning on Spanish wages

Wage increases risk putting Spanish inflation off course as the country tries to meet the entry conditions for the European single currency, Mr Luis Angel Rojo, governor of the Bank of Spain, warned yesterday. He told an Economist conference that recent average increases of 3.8 per cent in annual pay agreements and average overall earnings gains of 4.6 per cent were "hardly compatible" with reducing inflation.

The centre-right government is aiming to cut inflation from 3.6 per cent to 2.6 per cent by the end of next year.

Spain's inflation performance was also vulnerable to energy prices, Mr Rojo said. However, he said other trends pointed to reduced price pressure and said Spain could "reasonably aspire" to join the single currency at its start. *David White, Madrid*

ECONOMIC WATCH

French demand strengthens

Demand for industrial goods in France increased in the third quarter, according to a quarterly survey of industrialists by the statistics office Insee in October. The balance between those reporting a decline in demand and those experiencing an increase narrowed to 10 percentage points from 21 in the previous survey in July. Demand is expected to grow moderately in the fourth quarter, Insee said.

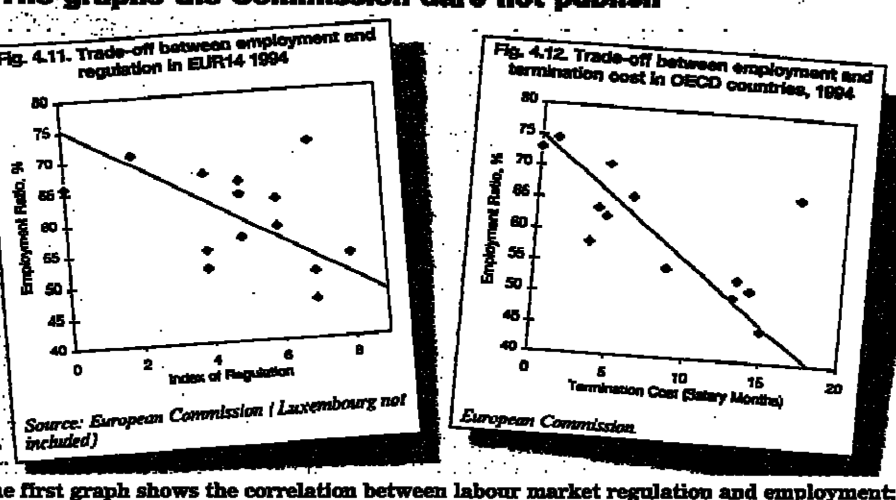
The balance between those expecting a fall in demand and those predicting an increase fell to 4 points from 5 previously. Foreign demand is expected to increase sharply in the fourth quarter after moderate growth in the third, with a particularly strong increase expected in the vehicle sector. *AFX, Paris*

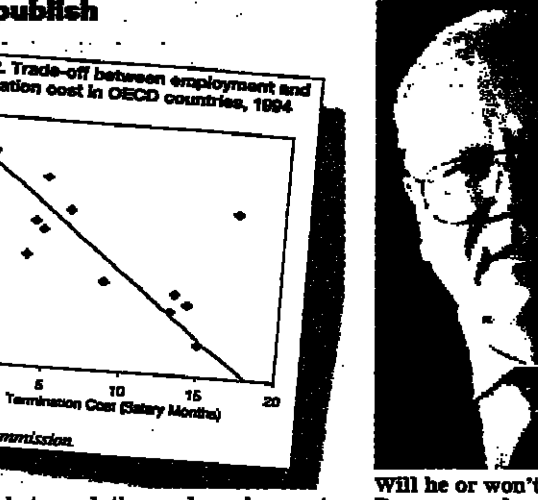
■ The Swedish government has decided it will not make any borrowings in foreign currency in 1997, the finance ministry said yesterday. The decision was based on improved public finances which brought a sharp fall in the total borrowing requirement, the ministry said. The government's net borrowing in foreign currencies has decreased to SKr30bn ($4.54bn) in 1996 from SKr49bn in 1995. *AFP, Stockholm*

Commission riven by job market clash

A controversial report linking unemployment to rigidities in the labour market has sparked a huge Brussels row, Emma Tucker and Caroline Southey report

The graphs the Commission dare not publish





The first graph shows the correlation between labour market regulation and employment; the second plots the cost of dismissing workers against the employment rate

Will he or won't he? Bangemann has 11 days to decide whether to publish

Shaping up for the big fight . . .

In the left corner: the social engineers of the social affairs directorate query the report's figures and say the problem of unemployment is far more complex

In the right corner: the free marketeers of the industry directorate say the report proves its case that excessive labour regulation is costing Europe jobs

Rarely can a couple of graphs have caused such a rumpus. But for the past two weeks data linking high unemployment to labour market rigidities has pitted two European Commission departments against each other.

The highly charged confrontation between the industry and social affairs directorates goes to the heart of one of Europe's key ideological debates; whether the economy is better served by a deregulated, flexible labour market or by a carefully regulated employment structure.

Over the next few days the battle between the deregulators and the regulators will intensify, in a quarrel over whether to publish or suppress two disputed graphs, one drawing a link between employment and regulation and the other between employment and the cost of dismissing workers.

A looming deadline has added to the pressure. On November 19 Mr Martin Bangemann, the industry commissioner, is due to present the as yet unpublished report on European competitiveness in which the two graphs appear.

Exclusion of the graphs, and alterations to the Competitiveness Report's chapter on the labour market, will anger the industry lobby, which wants the Commission to provide a lead in the debate over how to restructure Europe's economies.

"The Commission has to come clean on the issue," said one industry source. "If not they will dither on and the report will become inconsequential – just one other useless pile of paper that will have no effect."

The latest news is that Mr Bangemann has pulled out of the conference at which he was due to present the report, and is sending his chief official, Mr Stefano Micossi, director general of the commission's industry directorate.

Leading the anti-publication faction is the social affairs directorate, headed by Mr Padraig Flynn. It is opposed to the message of the graphs and has mounted a campaign to discredit the figures, which it says are unrepresentative and based on biased information provided by the industry directorate. It has been joined by the economics directorate, which also doubts the figures.

"The Commission cannot sign its name to such a set of figures," said an official reflecting the social affairs view.

Although the immediate row has revolved around the credibility of the data, the real dispute goes much deeper, reflecting what one Brussels-based lobbyist described as Europe's "double culture".

Put crudely, this is the "Anglo-Saxon" model which believes that welfare is best left to the individual and not the state, and the interventionist model which sees the market as a jungle to be tamed.

Both camps permeate the Commission, although the latter has lost influence since Mr Jacques Delors, the former commission president and old-fashioned French socialist, stepped down.

The divide is best exposed in the debate over how to address unemployment, Europe's most pressing economic problem.

The non-interventionist camp argues that over-protected labour markets cost Europe jobs. For example, the disputed chapter of the competitiveness report concludes that when the costs of dismissing workers are high companies tend to be cautious about recruitment.

"In times of recession, firing costs prevent downsizing. Similarly, in times of economic recovery, firms will be reluctant to take on employees," it says.

But the social affairs directorate believes that evidence for a link between high dismissal costs and employment does not stand up to analysis.

"There is no evidence that low dismissal costs help job creation," said one social affairs official. There were low dismissal costs in Mediterranean countries, which also had high rates of unemployment.

"This is a simplistic way of looking at a much more complex problem," said the official.

The frustration for outsiders is that the internal dispute is blocking publication of the report that they hoped would serve as a catalyst for a wider debate.

"At least put the figures on paper so that we can study them," said Mr Keith Richardson, secretary general of the European Round Table of Industrialists.

And that is what the Commission must decide. Last week, the word was that social affairs had "won" and the graphs had been withdrawn. This week the graphs are back on the table.

"The social engineers have to face up to the fact that the world has changed," said a European Commission official.

"Those who believe the European social model can continue are not serious."

Spring warns over 'inflexible' British

By Quentin Peel in London

Enlargement of the European Union to include new member states from eastern Europe will not be possible unless the existing members can agree on new rules at their on-going intergovernmental conference (IGC), Mr Dick Spring, the Irish foreign minister, warned yesterday.

He expressed concern that the British government in particular, and to a lesser extent the Danish government, were not prepared to negotiate and compromise in an effort to reach a deal in the talks with the other 13 EU member states.

"People forget the big reason for the IGC," he said in an interview. "They have to be reminded from time to time that enlargement will be the big picture. There won't be enlargement unless we get the IGC right."

He expressed his concern that the British government might be tempted to block any progress in the IGC, in order to force the other member states to change their rules on the question of an EU-wide 48-hour week.

"We would not like to see that become the BSE issue of Dublin," he said, referring to the British tactic of non co-operation on all EU issues leading up to the Florence summit in June, following a row over mad cow disease.

He promised that the Irish government, which holds the presidency of the EU, would produce draft texts for changes in the Maastricht treaty in time for the Dublin summit in December.

They will include institutional reforms, including changes in the size of the European Commission and the voting strengths of member states. There will also be firm proposals for strengthening EU foreign and security policy, and for beefing up co-operation in crime-fighting and immigration policies.

"At the end of the day we will be into one hell of a horse-trade," Mr Spring said.

"It is not our intention in Dublin to close off options," he said later in a speech at the Royal Institute of International Affairs in London. "Each member state will be free to continue to hold its position on all aspects of the emerging settlement."

Mr Spring said the whole issue of building new "flexibility" in EU rules was central to the constitutional debate, and to accommodating member states like Britain which do not want big strides to further integration.

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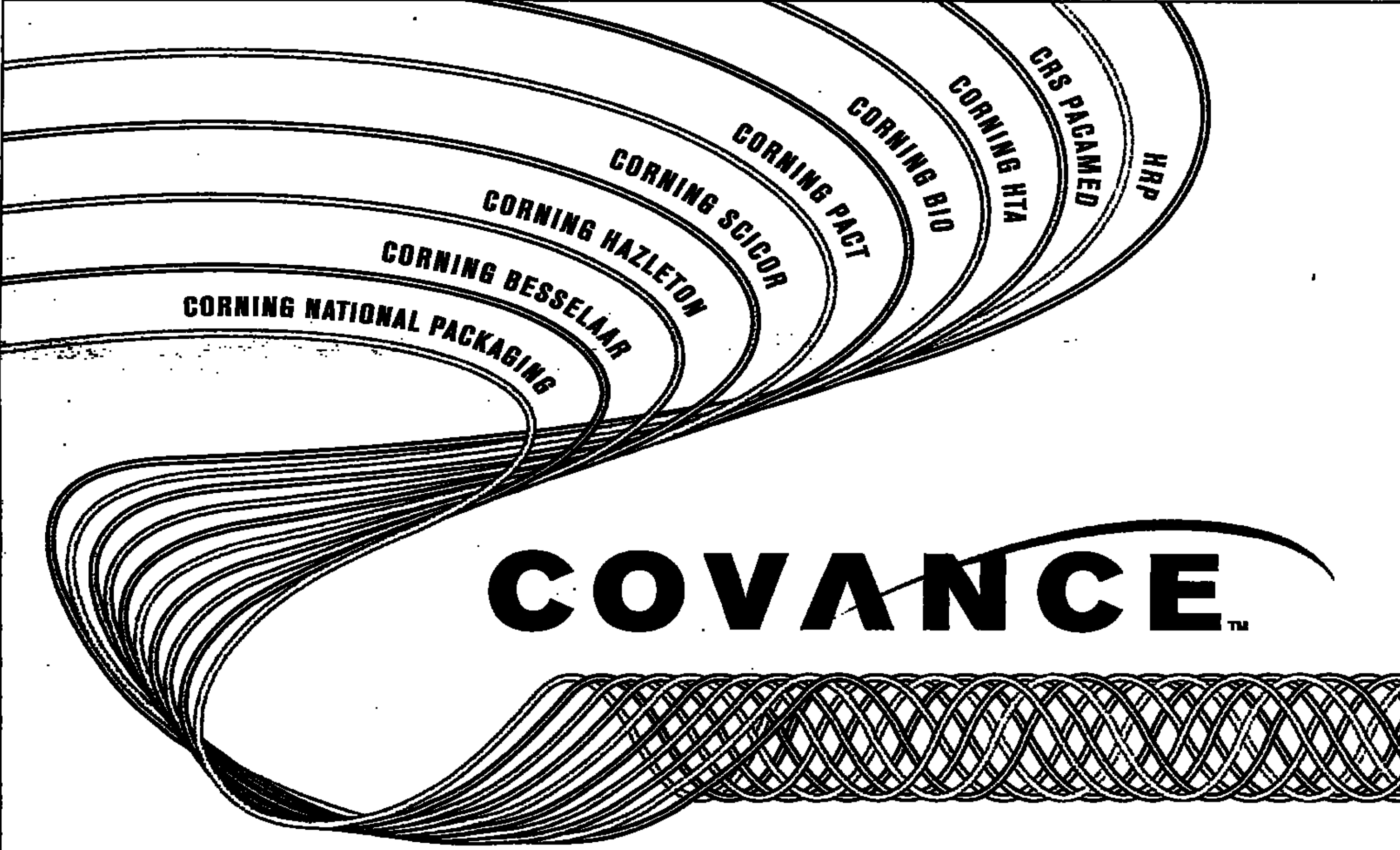

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Blow to new government as reserves are at low level

Moody's cuts Pakistan's credit rating

By Mark Nicholson and Farhan Bokhari in Islamabad

Moody's, the US investment rating agency, said it had lowered its rating for Pakistan's sovereign currency debt to B2 from B1, another notch below investment grade, but attributed the downgrading to the country's worsening financial position rather than political uncertainties following the recent dismissal of the Bhutto government.

However, the move comes at a critical and awkward juncture, with Pakistan's interim administration only three days old and barely settled into office and the country's foreign currency reserves at just under $650m, enough to cover just three weeks' worth of import bills.

The downgrading contributed to a sharp correction on the Karachi Stock Exchange, which lost 70 points to close at 1,509.35 yesterday, nullifying a one-day market rally which had followed this week's presidential dismissal of Ms Benazir Bhutto's Pakistan People's party (PPP) government.

Moody's, which put Pakistan's investment grading on watch in September, said the timing of the re-rating was unrelated to this week's political events. It said the downgrading reflected the increased fragility of Pakistan's overall liquidity position and the pressures of high domestic and foreign debt on its fiscal and external accounts.

Pakistan's total debt has been rising at the rate of 16 per cent a year since 1991, with external debt now standing at $28.6bn and internal government debt in excess of Rs800bn ($20bn).

Bankers and western economists said the Moody's re-rating was likely further to damage short-term investor confidence in Pakistan, tighten foreign currency inflows and raise the cost of commercial bank, private and foreign funding.

The move will have disappointed the new administration, whose *de facto* finance minister, Mr Shahid Javed Burki, is expected to arrive in the capital only today. It will increase pressure on him to move swiftly and decisively in outlining government economic policy and seek to restore confidence in the Pakistani economy.

The interim government was expected to finalise within the next few days an agreement with the International Monetary Fund, negotiated by Ms Bhutto's government, for payment of two stalled tranches of a $600m loan. "It does create a problem," said one western economist. "The government was hoping if they had this agreement that this might have staved off the Moody's move."

A draft of the IMF agreement, which would simultaneously release two tranches of the loan worth $160m, is before the new cabinet and awaiting final agreement.

Meanwhile, Mr Farooq Leghari, the president, yesterday sacked one of the four provincial governments in the southern province of Sindh.

In a move apparently designed further to remove Ms Bhutto's influence, he appointed her uncle and political rival, Mr Mumtaz Bhutto, as caretaker chief minister. Sindh, Ms Bhutto's home ground and political heartland, was earlier ruled by the PPP.

Japan's old guard makes clean sweep

William Dawkins reports on how Hashimoto picked his all-LDP cabinet line-up

Mr Ryutaro Hashimoto was yesterday re-elected for a second term as Japan's prime minister by a comfortable majority and appointed the first cabinet made up entirely of Liberal Democratic party members in 3½ years.

Mr Hashimoto was elected by 262 votes in the first round of voting in the 500-seat lower house of parliament, thanks to the support of his coalition partners in the previous government, the Social Democratic party and New Harbinger party.

The LDP emerged 12 seats short of a majority in a general election last month and its former partners declined to join the cabinet, instead offering loose parliamentary co-operation on a case-by-case basis.

They agreed on a policy plan last week, including bureaucratic reform, but the SDP's tough new leader, Ms Takako Doi, has already warned that she will be seeking concessions on a sales tax increase, such as lower rates on food.

Her colleagues have also warned that they want to see cuts in defence spending, which will come to a head next month when the finance ministry prepares the 1997 budget.

The most important jobs in Mr Hashimoto's all-LDP cabinet were divided according to a well-tried formula that rewards party seniority more than aptitude for the post, putting factional rule back at the heart of Japanese government.

The top four groups, the Obuchi, Mitsuzuka, Miyazawa and Watanabe factions – named after their bosses or founders – yesterday got 19 ministerial posts, and one went to the smallest faction, Komoto. Not a single outsider was offered a job.

Only two years ago the LDP disbanded the faction system on the grounds – supported by Mr Hashimoto who, at 59, is a member of the LDP's younger generation – that it wanted to move towards a meritocracy.

But Mr Hashimoto's well-publicised efforts to choose his own line-up appear to have buckled against the sheer resilience of the old guard. The factions had continued to operate as "study groups" behind doors stripped of their old nameplates.

The oldest and most conservative, the Obuchi group, won 22 extra seats in the last general election, to give it 88 members of parliament, regaining its former slot as the largest faction.

Mr Hashimoto, an Obuchi man, can all the less afford to offend the factional heads, because the LDP emerged from the election with a minority in both houses of parliament. Dissent among his powerful backers would be fatal. Accordingly, the Obuchi faction has seven cabinet members, including Mr Hashimoto.

The most powerful and sought-after job, finance minister, went to Mr Hiroshi Mitsuzuka, 69, a former foreign, trade and transport minister and head of the second largest LDP faction, which has six cabinet seats. Mr Mitsuzuka is the archetypal LDP heavyweight, only slightly tainted by allegations of having once received illicit cash from a disgraced parcel delivery company.

His asset is that he knows how to work the bureaucracy, a skill he picked up when he prepared the privatisation of Japan's national railways as transport minister in the early 1980s. He is thought unlikely to proceed with much vigour with the LDP's election promise of reducing the size of the civil service. Draft plans to separate the finance ministry's supervisory and executive functions, in response to a series of banking crises, stand first in line.

The Ministry of International Trade and Industry goes to a relative unknown, 64-year-old Mr Shinji Sato, a former transport minister and son of an ex-prime minister, also an Obuchi man.

Foreign policy continues in the steady hands of Mr Yukihiko Ikeda, 59, one of the only two men – apart from the prime minister – to keep his job. A second term for Mr Ikeda is likely to be welcomed in Washington, where he is liked at the State Department. High on his agenda will be the completion of a new security arrangement with the US and repairing relations with China, recently strained by a dispute over islands in the East China Sea.

Notably, the cabinet does not include a minister for administrative reform, an innovation that Mr Hashimoto had considered, to carry out his plans for a slimmer government bureaucracy. He now wants to take charge of that project himself, say party officials.

In one gesture to bureaucratic reform, the Japanese leader yesterday appointed the outspoken Mr Junichiro Koizumi, 54, as health and welfare minister, where he inherits a project to pin down the blame for the government distribution of HIV-tainted blood.

Another member of the former team, Mr Seiroku Kajiyama, 70, has been kept on as chief cabinet secretary, where his most important task will be to co-ordinate with the SDP and NHP.

Thus the old guard is back, but not on such easy terms as before when the most senior LDP officials automatically got cabinet jobs with each new government. This time, the party's second and third in command, Mr Koichi Kato and Mr Taku Yamasaki, have not been offered posts, held back by alleged respective links with bankrupt housing loan companies and oil industry tax evasion. In this sense, the LDP's new cabinet shows a heightened sensitivity to its public image.

Junichiro Koizumi: Health and welfare minister. Faction: MITSUZUKA

Yukihiko Ikeda: Foreign minister. Faction: MIYAZAWA

Hiroshi Mitsuzuka: Finance minister. Faction: MITSUZUKA

Wholesaler arrested in widening scandal that may involve leading politicians and bureaucrats

Japanese prosecutors raid oil group's offices

By Michiyo Nakamoto in Tokyo

Tokyo prosecutors yesterday raided the offices of Mitsubishi Oil – and also arrested an Osaka oil wholesaler on allegations of tax evasion – in a widening scandal possibly involving politicians and bureaucrats.

The raid on Mitsubishi Oil and arrest of Mr Junichi Izui, an oil wholesaler known for connections with high-ranking politicians and with finance and trade ministry bureaucrats, are expected to shed light on a complicated scheme involving huge payments allegedly made to Mr Izui by Mitsubishi Oil.

The authorities also searched the homes of the chairman, president and vice-president of Mitsubishi Oil – a refiner belonging to the Mitsubishi conglomerate – which is alleged to have paid Mr Izui about Y6bn ($52.8m) for unaccounted business in transactions said to involve Mitsui Mining, a company in the Mitsui group, among others.

Mr Izui has been charged with evading taxes of some Y300m related to unreported income of Y660m believed to have been made from brokering oil transactions involving Mitsubishi Oil.

However, the total amount of funds allegedly funnelled to Mr Izui through these transactions is thought to amount to some Y6bn over six years. Brokering commissions allegedly paid by Mitsubishi Oil to Mr Izui amount to about 85 per cent of the profits made from the deals, Japanese press reports say.

Furthermore, Mr Izui is known to have made large contributions to leading politicians and to have wined and dined bureaucrats in the trade ministry, which oversees the oil industry, as well as the finance ministry.

Mr Taku Yamasaki, chairman of the ruling Liberal Democratic party's Research Council, has admitted receiving Y10m in contributions from Mr Izui over 10 years.

Mitsubishi Oil, which denies that it directed sums to Mr Izui, is being sued by Mitsui Mining on charges that Mitsubishi failed to compensate Mitsui for a Y2.35bn loan which Mitsui claims it made to Mr Izui at Mitsubishi's request.

Mitsui also claims that it had channelled huge sums to Mr Izui at the request of Mitsubishi which allegedly told Mitsui it wanted to provide financial support to Mr Izui's oil wholesale company.

The tax authorities, however, believe that Mr Izui did not actually broker a deal between Mitsui and Mitsubishi for which Mitsui paid Mr Izui and has demanded a tax penalty of Y1.5bn from Mitsui.

Mr Izui also bought 600,000 shares in Mitsubishi Oil between late 1990 and early 1991 for an estimated Y600m, according to the Mainichi Shimbun daily newspaper.

He sold the shares a year after Mitsubishi Oil announced that it had won the right to develop an oil field off Vietnam. Mitsubishi Oil would not comment but said that it was aware of the share purchases.

INVESTMENT OPPORTUNITY IN WATER PRODUCTION IN SÃO PAULO, BRAZIL.

SABESP is promoting the Juquiá/Juquitiba Project whose aim is to produce 4,6 m3/s of potable water for supplying the São Paulo metropolitan Region. Project construction costs have be estimated by SABESP at US$ 265 million. All the facilities (pumping stations, pipes, water treatment plant, tunnel and the rectification of a portion of Santa Rita Stream bed) shall be constructed, financed and operated during the contractual term by the winner of the bidding process. The bidding process is expected to begin in early 1997. Interested parties are requested to register their interest in writing to SABESP, with a copy to IFC, which is acting as financial advisor to SABESP, at the addresses given below.

Companhia de Saneamento Básico do Estado de São Paulo - SABESP
(A/T Mr. Paulo Ferreira/ Mr. Attilio Mariano de Araujo Pereira - Technical information)
(A/T Mr. Paulo Domingos Galletta / Mr. José Carlos Gl. Rodrigues - Financial information)
Rua Costa Carvalho, 300 - CEP 05429-900 - São Paulo - SP / Brazil.
Phone: 55 - 011 - 3030 4132 / 3030 4146. Fax: 55 - 011 - 813 5405

International Finance Corporation - IFC
(A/T Mr. Reyaz A. Ahmed / Ms. Isabel Marques de Sá / Mr. Juan Payeras)
1801 K.Street, NW - Washington DC. 20433 - USA
Phone: 202 - 473 7785/0705/6920. Fax: 202 - 676 9602/676 9525.

GOVERNO DO ESTADO DE SÃO PAULO

Malaysia to seek power levy

By Peter Montagnon and James Kynge in Kuala Lumpur

Malaysia is to ask private sector power producers to contribute to the social programmes of Tenaga, the country's electricity utility, to boost the acceptability of its privatisation policy, Mr Anwar Ibrahim, finance minister said.

But it would not attempt to force a renegotiation of the controversial contracts signed by five independent power producers, including YTL and Genting Sanyen Power, which entitle them to charge more for electricity than the cost at which Tenaga can produce it itself.

Concern about a forced renegotiation has become a worry in the stock market and threatened to cast a further shadow over Malaysia's extensive privatisation programme, which has already seen controversy over toll road charges and competition in telecommunications. Tenaga yesterday blamed sharply increased payments to power producers for a 36 per cent fall in net profit for the year to end August.

Brokers said Mr Anwar's statement should alleviate these worries, especially as the power producers are expected to be asked to pay a levy of only around 1 per cent of total revenues to help meet Tenaga's rural electrification and training costs.

"We have entered an agreement. We must be seen to honour the agreement, but what can be done is to persuade the power producers to undertake part of the social costs," Mr Anwar said. "The success of privatisation in this country is that we do take into consideration the social agenda."

He added in an interview that the Malaysian economy was heading for a soft landing after worries about the current account deficit, which reached 9 per cent of gross domestic product last year. One response to these concerns had been a decision to phase out the launch of large infrastructure sector projects to prevent them creating excessive domestic demand.

"A number of projects have been either shelved or phased out," he said in the first public admission of such a policy. Linear City, a massive 2.4km development above the bed of the river Klang in Kuala Lumpur, has only just been given approval, whereas it was originally due to be launched last year, he said.

Many such projects, which include a new capital city south of Kuala Lumpur and the Bakun dam in Sarawak, are strongly supported by Prime Minister Mahathir Mohamad.

Tenaga results, Page 18

A modern man in the wings

Anwar Ibrahim, once an Islamic radical, knows about rap music

By Peter Montagnon and James Kynge

Mr Anwar Ibrahim, who is widely expected to become Malaysia's next prime minister when Dr Mahathir Mohamad finally steps down, knows all about rap music from his daughter.

When the Ministry of Information decided to ban rap last year, he went along, thinking it was "probably something nasty". But then his daughter introduced him to the actual thing. "The lyrics are good, the music is good. We went back to the cabinet and I explained that I am an authority on that music." The ban was lifted.

Such liberalism is typical of the 49-year-old deputy prime minister and finance minister, and it sometimes grates with older leaders in the region. Mr Anwar rejects Singapore-style censorship of the Internet and believes in press freedom. He wishes Malaysia's own notoriously compliant press would be more critical of the government.

"I don't support the idea of a strong censorship authority," he says. "When you give authority to people they will use it, not necessarily for reasons of morality but sometimes for political expediency."

His views count – both because of his likely eventual elevation at home, and because he is gaining international exposure as a rare and articulate member of a younger generation of Asian politicians who will take forward the broader debate on regional values.

To his generation falls the task of bridging the gap between the old Confucian authoritarianism, which puts community and family before individual, and the greater freedoms to which Asia's affluent middle class increasingly aspires. Since Malaysia is a Moslem country, there is also the challenge of developing the concept of a modern Islamic state.

Anwar Ibrahim: liberal views

An intellectual with erudition reminiscent of Mr Chris Patten, Hong Kong's governor, Mr Anwar sprinkles his conversation with references to de Tocqueville. His last budget included quotations from the German thinker Reinhold Niebuhr, the Koran and little-known Neo-Confucian scholars.

But Mr Lim Guan Eng, an opposition member of parliament, describes him as having more style than substance by comparison with his wily boss, Dr Mahathir, with whom his relationship is at times uneasy.

Though Mr Anwar speaks in general terms of the need for freedoms, he is careful to agree with Dr Mahathir's support for Burma's membership in the Association of South-east Asian Nations. His liberal views are hedged so their precise implications can seem elusive.

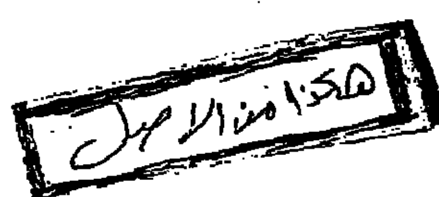
Thus the press cannot have freedom "to harp on about religious bigotry or racial hatred". Democracy must be constrained in the way set out by de Tocqueville a century and a half ago: by strong moral values, a sense of responsibility, understanding and respect for others.

Once an Islamic radical who was imprisoned for his beliefs, he is still a "committed" Moslem, but emphasises tolerance as a virtue. The current promotion of *sharia* courts in Malaysia is not a great priority, especially since the laws are generally consistent with those of the civil courts.

A similar view holds good of Islamic banking, which bans interest payments. Malaysia is pushing this, alongside the establishment of an Islamic stock index, to enhance Kuala Lumpur's attraction as an Islamic financial centre. But what really counts is to create a state where growth is vibrant and there is an equitable distribution of wealth.

Having achieved that, Malaysia can afford to offer a choice in banking, but: "I don't think the application of some aspects of the *sharia* courts or Islamic banking would make you a better Moslem."

As for Asian values, he says the debate is a bit simplistic, because the region is not homogeneous. "The similarities are that Asians are more conservative in terms of their values, more tied to tradition and religion. I think these are values to which we can contribute, but the approach has to be modern, vibrant, active. It has to change with the times."



Drive to lessen transatlantic trade divisions

By Lionel Barber in Brussels and Guy de Jonquières in London

Business leaders and senior trade officials from the US and Europe gather in Chicago today in an attempt to narrow differences over dismantling transatlantic trade and investment barriers.

As well as examining steps to open markets, the two-day meeting is the first chance since the US presidential election for trade officials on both sides of the Atlantic to discuss global policy issues.

The European Union delegation, led by Sir Leon Brittan, trade commissioner, will be looking for signs that President Bill Clinton's re-election will enable the US to resume a more active international role before next month's ministerial meeting of the World Trade Organisation in Singapore.

A high priority for Sir Leon and Ms Charlene Barshefksy, acting US trade representative, will be to inject impetus into negotiations to eliminate, by the year 2000, tariffs on information technology products, which both sides hope can be concluded in Singapore.

The talks, which also include Mr Mickey Kantor, US commerce secretary, and Mr Stuart Eizenstat, commerce under-secretary, are also expected to cover the transatlantic dispute over the US Helms-Burton anti-Cuba legislation. Sir Leon called yesterday for the dispute to be settled, so that the two sides could press ahead with co-operation.

The Chicago meeting is the first anniversary of the Transatlantic Business Dialogue. Grouping more than 50 top US and European executives, from multinational companies including Ford, Chrysler, Xerox, Glaxo, Nokia and ABB, the dialogue is designed to involve the private sector in dismantling transatlantic business barriers.

The US and the EU yesterday gave the talks a boost by announcing a customs co-operation agreement, designed to simplify bilateral trade procedures and help combat fraud. Such a deal has been a high priority for the business leaders.

Among the most pressing challenges facing the Chicago meeting is to narrow differences over planned mutual recognition agreements, which would harmonise industrial product rules on either side of the Atlantic.

The US would like a deal covering five sectors, including telecoms. But the EU insists a final pact must also cover pharmaceuticals and medical devices.

Mr Eizenstat says there is a risk of "making the perfect the enemy of the good". The US says its Federal Drug Administration regulations set limits on mutual recognition, which can only be overcome by a change in US law. But a senior European Commission official said Europe would be "picked off" if it agreed to a partial deal only.

Both sides are trying to lower the temperature on Helms-Burton. Sir Leon has signalled Europe's willingness to help promote democracy in communist Cuba – a key US demand.

European business leaders are likely to condemn US unilateralism in trade policy and extra-territorial measures such as Helms-Burton and the D'Amato Act, aimed at curbing trade and investment in Iran and Libya.

EU-US relations, Page 7

Europe's chip sales to Japan up

By Guy de Jonquières in London and David Owen in Paris

Leading European semiconductor producers say they have strongly increased sales in Japan this year – despite repeated complaints by Brussels that a US-Japan chip trade accord has restricted their access to the market.

The most striking improvement has been by SGS-Thomson Microelectronics, the Franco-Italian group, whose sales in Japan reached $180m in the nine months to September 30, up from $102m a year earlier.

Philips of the Netherlands said it expected "double-digit" growth in its Japanese semiconductor sales this year, despite a fall in the overall market. Though Philips' sales in Japan had risen for three years, this year's growth was likely to be the best yet achieved relative to the market.

Both producers attributed their performance to success in forging close ties with Japanese customers, which has enabled them to carve out profitable niches for specialised components.

European producers, which also include Siemens of Germany, still account for only about 2 per cent of sales in Japan. This a fraction of the roughly 30 per cent market share held by foreign suppliers, chiefly US, Korean and Taiwanese companies.

However, SGS-Thomson's and Philips' recent experience appears to conflict with repeated objections by European Union officials that US-Japan trade arrangements have discriminated against European chips.

EU officials say the arrangements have prevented European producers co-operating closely with Japanese industry to supply the "custom" chips in which they specialise.

SGS-Thomson's vintage year, Page 17

WTO near to Singapore meeting draft

By Frances Williams in Geneva

The general council of the World Trade Organisation was last night expected to finalise its recommendations to the Singapore meeting of trade ministers in December in endorsing reports by its 26 subsidiary councils and committees.

Formal approval of the general council report will clear the way for renewed haggling over the politically important draft text of the ministerial declaration, where countries are still at odds over the WTO's future work programme.

However, the WTO's committee on trade and environment was still putting the finishing touches to its report yesterday after an all-night session on Wednesday.

Trade officials were expected to complete work before the day was out. The report will disappoint environmentalists, who had hoped for stronger conclusions.

One of the central areas of disagreement has been the relationship between world trade rules and multilateral environmental agreements (MEAs) which contain trade measures. Environmental groups had urged explicit recognition of the legitimacy of these measures by the WTO but this has been rejected by the committee. Nor has the committee agreed any rule changes to accommodate MEAs with trade measures in its dispute settlement procedures.

Elsewhere, the main controversy came in the WTO's agriculture committee between those countries wanting early preparations for new talks on farm trade liberalisation and those opposed led by the European Union, Japan and Korea.

In a compromise reached earlier this week, the committee report commits WTO members next year to beginning "analytical work and exchange of information related to the reform process in agriculture". This deliberately ambiguous wording allows proponents of reform such as Australia to claim it gives the green light for preparatory work ahead of 1999, when more agriculture talks are due.

However, a Geneva-based official said there was no commitment to discuss what might be on the agenda for the next round of talks.

■ The WTO's general council yesterday rejected an application by Iran for observer status at the Singapore ministerial meeting.

Looking east for a telecoms accord

Asia-Pacific region is obstacle to agreement in US eyes, reports John Ridding

When telecoms officials meet in Geneva next week to try to advance struggling talks on a World Trade Organisation accord, many will be looking east.

The pace of deregulation in the Asia-Pacific region has emerged as an obstacle to agreement and freeing trade in the sector – at least in the eyes of the US.

"The Asian response in the WTO has been disappointing," says Mr Reed Hundt, chairman of the US Federal Communications Commission. "If these talks are to succeed, Asian countries must make better offers."

According to Mr Hundt, too many important countries in the region, including Indonesia and Malaysia, have made no offers at all. Others, he says, including Korea, the Philippines, Thailand and Hong Kong, have made offers of liberalisation which fall short of full competition.

Asia's rate of deregulation is by no means the only stumbling block in negotiations, which also face difficult issues from satellite communications to liberalisation measures in continental Europe.

But the industry potential in the Asia-Pacific region has thrown the spotlight on its regulatory regimes.

"This is such a dynamic part of the world, with the prospect of a rapid expansion of telecoms," says Mr Alex Arena, Hong Kong's director general of telecommunications, "so there is particular attention to what Asia is bringing to the table."

Looking east: who's on line

Estimated telephone lines per 100 people in selected countries 1997

Low income: India, Indonesia, Pakistan
Lower middle income: Philippines, Thailand
Upper middle income: Malaysia, South Korea
High income: Taiwan, Singapore, New Zealand, Australia, Hong Kong

0 10 20 30 40 50 60

Source: Asia-Pacific Telecoms Analyst

Such pressure, along with economic self-interest, is having an impact with a recent acceleration of moves towards liberalisation in the region.

Among the most significant was the announcement by Singapore that it would end the local monopoly of Singapore Telecom from the year 2000, seven years ahead of schedule.

Citing the rapid development of the industry, the government stated that: "Every year we do nothing is a year lost as competition worldwide intensifies."

Behind Singapore's move is a determination to strengthen its position as a regional business hub. Similar considerations have encouraged Hong Kong to move against the last bastion of restricted competition in its telecoms market – the monopoly on international direct dial business held by Hongkong Telecom.

Mr Arena, a determined deregulator who has already introduced wide competition into mobile telecoms and fixed-line domestic services, has opened talks with Hongkong Telecom with a view to terminating the exclusive franchise.

The talks, the operator said this week, are now set to intensify.

It is a complex issue, with political as well as commercial considerations, courtesy of Hong Kong's handover to China next July and the need for diplomatic blessing of a deal which curtails the monopoly – due to extend until 2006.

But Mr Arena cites the importance to Hong Kong and its emerging telecoms companies of further deregulation.

"If Hong Kong is going to remain relevant into the next century then it has to be a major services centre," says Mr Arena. "And the lifeblood of a services centre is telecommunications."

He adds that local operators and paging companies are already expanding into international markets, seeking their share of the telecoms industry.

If Hong Kong is established as a services centre and is near the forefront of the march towards liberalisation, such sentiments are gaining ground elsewhere. "It seems clear that momentum is gathering," says Mr Adam Quinton, regional telecoms analyst at Merrill Lynch in Singapore.

He cites "a raft of new licences" in South Korea and increased competition in Malaysia, the Philippines and Indonesia. Taiwan is in the process of awarding new licences for mobile telecoms operators, with many consortia including foreign operators. "There aren't many recalcitrant monopolies in the region," adds Mr Quinton.

One regional diplomat cites initiatives within Apec, the regional trading organisation which is also championing moves to liberalisation.

"Telecoms has been identified as a strategic industry by many of the countries in the region, and they are now shifting from a defensive mentality to a realisation of the need to compete," he says. "No-one wants to be left behind, and that is prompting progress."

Whether this is enough to help clinch a WTO deal remains unclear. Several of the markets, such as Indonesia and Malaysia, retain limits on foreign ownership of telecoms operators, while Thailand is linking reforms in telecoms with concessions on other issues, such as agriculture. And even where progress is being made on the ground, this is not always translated into offers on the table.

"This is sometimes due to political constraints, the lobbying of a dominant player or practical considerations, such as the need to amend legislation," says one negotiator. He expresses optimism, however, that Asia's stumbling blocks can be overcome. But with February's deadline looming, an accord is not assured.

happy new year 12

The new year in the DM market for interest-rate products starts on November 12, with the launch of the One-Month Euromark Future at DTB. With short dated maturities extending into 1997, the usual year-end interest-rate exposure can be eliminated. Hedging with an One-month LIBOR futures contract will be possible in Europe for the first time. But that's not all: a Three-Month Euromark Future with serial contract months will be introduced on January 14, 1997, making DTB the only derivatives exchange to offer the most important DM products in a spectrum of one month to ten years. With the conversion of Europe's benchmark currency, into Euro, the DTB will have the perfect product range to provide you with more reasons to celebrate. Wishing you all the best for a prosperous new year.

Your access to success

http://www.exchange.de

Plight of 1m eastern Zaire refugees deepens

By Emma Tucker in Brussels and Michela Wrong in Gisenye

The plight of up to 1m refugees in east Zaire deepened last night as efforts to co-ordinate an international response to the crisis appeared near collapse.

European Union development ministers yesterday backed the need to create humanitarian corridors to ensure the transfer of aid to the refugees but the emergency meeting broke up without agreement on the central question of whether to send troops to patrol the corridors to protect aid workers and relief convoys.

While both France and Spain said they were prepared to send 1,000 troops each to the region to ensure aid got through, strong resistance came from Britain, Germany, and Belgium, Zaire's former colonial power.

Baroness Chalker, UK aid minister, described as "daft" a call by Mr Hervé de Charette, French foreign minister, to back a multinational intervention force in Zaire.

Mr de Charette had described as "spineless" the failure of the international community to agree on the need for a big troop deployment to the area. France has called for a 5,000-strong intervention force and pledged to provide 1,000 French troops. The US is only prepared to provide logistical support.

The call led to divisions in the ranks of aid agencies, with Britain's Save the Children Fund warning that military intervention "may well compound the problem". Another leading British charity, Oxfam, argued it was "the least worst option".

Last night, Spanish diplomats said that almost nothing had been achieved at the meeting on the question of troop deployment.

One of the few concrete decisions to emerge was to send a troika of aid ministers from Italy, the Netherlands and Ireland, along with Mrs Emma Bonino, European aid commissioner, to assess the humanitarian situation and identify ways to speed humanitarian aid.

Mrs Bonino said she hoped the meeting had sent a powerful message to the UN Security Council to speed decisions on how to react to the Zaire crisis.

In east Zaire, aid organisations have pre-positioned aid on the Burundian and Rwandan sides of the border, ordered hundreds of trucks and set up transit centres at the end of what are expected to be three humanitarian corridors running from the Zairean towns of Goma, Bukavu and Uvira into Rwanda and Burundi.

Fearing repetition of the hysterical exodus of 1994 and subsequent cholera outbreak, the United Nations High Commissioner for Refugees says it hopes to keep numbers to a manageable 10,000-12,000 refugees a day, spinning the operation out for three months.

While refugee relief agencies plan logistics, exactly how a mass return is to be triggered among a population heading ever deeper into Zaire remains unclear.

While stopping short of advocating refugees be starved into submission, aid experts say it is crucial food is not distributed in quantities allowing the permanent camps of the past to re-establish themselves.

In the Zairean capital Kinshasa, thousands of students calling for the resignation of the part-Tutsi prime minister, Mr Kengo wa Dondo, took over parliament. Witnesses said unarmed gendarmes and troops were also in the building.

Editorial Comment, Page 13

Kazakhs in gas pipeline sell-off

Kazakhstan is tendering its transit pipelines for gas from Russia, Uzbekistan and Turkmenistan, but the sale may be hampered by political infighting and payment squabbles between the republics, writes Sander Thoenes in Almaty.

The pipelines, offered as 15-year concessions, provide the investor with management control and transit fees in return for investments and upkeep of the pipelines.

Enron of the US, Gaz de France, Bridas of Argentina and Nacosta of Switzerland have purchased bidding documents; Saipem, a subsidiary of Agip of Italy, is one of several other companies expected to join in.

Many potential bidders produce or hope to produce gas in the region and would like to ensure access to export pipelines.

Enron is considering producing gas in Uzbekistan, Bridas plans to pump gas in Turkmenistan, and Agip is already producing jointly with British Gas at the Karachaganak field in north-eastern Kazakhstan.

But they will also face the challenge of managing part of a large gas network, once unified under Moscow's control and now divided among 15 republics. They will have to obtain transit fees from Turkmenistan and Uzbekistan and persuade the Russian gas monopoly Gazprom to increase access to its pipelines.

The pipelines, now controlled by two state gas companies, include a 400 km stretch of the strategic Soyuz pipeline that exports Russian gas to Europe, 500 km of the Bukhara-Ural pipeline that connects the Uzbek gas fields to Russia, and 600 km of the large Central Asia-Centre pipeline that exports both Turkmen and Uzbek gas to Russia.

On average only about 25 per cent of capacity of the pipelines is used. Many sections are in disrepair.

World tries a new way to pay

George Graham on prospects for a direct substitute for cash

Ever since inventors figured out how to implant a miniature computer chip in the thickness of a standard payment card, banks have been toying with the possibilities opened up by this extra memory and processing power.

Top of most lists is the electronic purse: a way of loading money on to the card so that it can be used as a direct substitute for cash in small transactions such as buying a newspaper or a bus ticket.

Mondex is among a host of electronic purses now on trial around the world. Originally piloted in Swindon, England, it is also being tested in Canada and was launched this week in Hong Kong.

The arrival of MasterCard, the international payment card consortium, as its prospective majority shareholder will give Mondex the opportunity to move beyond local and national trials to, potentially, worldwide use.

MasterCard had run trials of its own electronic purse in Canberra, though reports that these proved unsatisfactory would appear to be borne out by its imminent new link with Mondex.

But Mondex is not alone in the electronic purse contest.

Visa, MasterCard's great rival, piloted its Visa Cash electronic purse at the Atlanta Olympics, and in such countries as Spain, Australia, and Argentina. It will be launching a trial in the UK next year. Europay, despite being MasterCard's partner in Europe, has already launched its own purse called the Clip.

Other national electronic purses range from the disposable Danmont card in Denmark – sold for face value and thrown away when used up, like a phone card – to the reloadable Quick chip in Austria, which is integrated into the customer's regular cash card.

The most heavily used electronic purse so far, and arguably the only one that can yet claim to be a commercial success beyond a closed circuit such as a university, is the PMB card in Portugal. It has 170,000 cards in active use, and an expected 50,000 point of sale terminals installed by the end of this year.

But no winner has yet emerged.

"The reason for all of these pilots is that no one has proven the business case. I'll be really interested to see if anyone makes money out of this," Mr Eugene Lockhart, president of MasterCard International, said earlier this year.

> 'The reason for all of these pilot programmes is that no one has yet proven the business case'

Banks generally like the idea of an electronic purse, which cuts out the risk they run on a credit card payment of not getting paid. It is also cheaper to operate than a debit card: the money is already loaded on the card, so there is no need for transactions to be authorised by a central computer.

Many retailers are also enthusiastic in principle. Cutting down on cash can reduce their handling costs and reduce the danger of robbery – an argument that weighs particularly with late night shops and with bus and taxi drivers who do not want to have to carry change around with them.

But they do not want to install new card terminals until they are sure what the standard will be.

The gains are much less obvious for consumers. To compete with cash, an electronic purse has to be not only free but very widely accepted.

That threshold has so far been crossed usually in very limited geographical areas, such as the Sydney suburb where an electronic purse accepted at petrol stations, shops and fast food outlets has been successfully married with a bus pass.

Mondex's technological features make it a closer replica of cash than most competitors. Mondex money moves anonymously from one person to the next, and can even be transferred to another individual's Mondex card, instead of only to a shop with a special terminal.

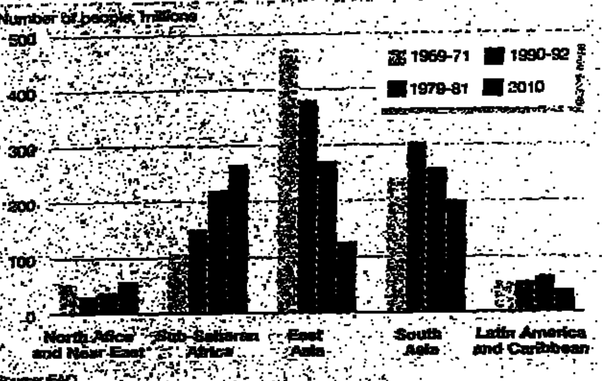
In most other systems each transaction ends up being processed through a central computer. That leaves more of an audit trail – a plus point with police.

But Mondex's biggest shortcoming has been that it stood alone, raising questions on whether it would gain acceptance beyond the confines of Swindon.

Rivals say it does not conform technically to the international standards for chip cards developed by Visa, MasterCard and Europay, although Mondex officials have demonstrated its cards will work in standard terminals.

Mondex took a big step towards wider acceptance this summer, when National Westminster Bank, its creator, sold control to a broad international consortium of banks. With MasterCard expected to take control, the Mondex card has will be crossing another threshold toward worldwide acceptance.

Free trade 'can add to hunger among poor'



Trade liberalisation and the shift among developing nations towards producing cash crops for export can worsen internal food supply and increase hunger among the poor, according to a report to be published by the charity ActionAid next week.

The development charity releases its report – which details winners and losers of the free trade in food – in the run-up to the World Food Summit, which takes place next Wednesday.

"The food summit is addressing the wrong questions; increasingly, food security is not a question of agricultural policy, but of trade policy," said Mr Charlie Kronick at ActionAid.

"Many small farmers are encouraged to participate in producing cash crops, and it is unlikely they will do well out of it," he said. He believes this is because so much power is concentrated with large multinational commodity buyers. The agency estimates six large groups control 60-90 per cent of global trade in commodities. "All power is concentrated in the hands of the buyers rather than the sellers," Mr Kronick said.

Many poor farmers in developing countries turn to cash crops believing they will make a profit but, with little access to infrastructure, the chances are against them, the report notes.

Production of cash crops takes local farmers' attention away from growing food for their own needs, but does not give them a big enough profit to buy in food to substitute. At the same time, as more farmers move into cash crops, supply increases and prices go down.

Advocates of free farm trade say market disciplines ensure enough food is produced with the greatest efficiency, but ActionAid says that as trade increases, benefits are not guaranteed to go to producers. "There is always the belief prosperity will trickle to the poorest, but we think these problems are structural, not transitional," said Mr Kronick.

The report says the drive for profits leads to short-term maximisation of gains and acts against sustainable management of resources. The Food and Agriculture Organisation (FAO), the United Nations food watchdog in Rome, says 800m people worldwide do not have enough to eat.

ActionAid is active in Sierra Leone, where many farmers have turned to growing tobacco as a cash crop. In the Bombali district in the north of the country, this has exhausted land once forested but now incapable of supporting crops.

Agricultural programmes often direct farmers towards greater use of agro-chemicals, ignoring local methods which are often more suitable for the land type.

Self sufficiency in rice in Kenya has declined from 89 per cent in 1980 to 49 per cent in 1992. Imports to make up the shortfall rose by 50 per cent since 1986 to 185,657 tonnes last year costing $30m – about 25 per cent of the country's entire export earnings.

In Malawi, the report says poor farmers saw good returns from the early liberalisation of farm markets. Soyabeans, sunflowers and tobacco crops promised real "cash in hand". But when more farmers planted these crops, supply soared and prices collapsed.

In spite of market liberalisation and the withdrawal of government intervention, the report estimates that in Malawi 30 per cent of the rural population are still hungry and 43 per cent are unable to buy even a basic basket of needs.

Kenya has experienced large-scale price fluctuations since removing price controls on agricultural produce. Small farmers are forced to sell off their crops at harvest time when prices are low because of the need to pay off debts and lack of storage facilities.

ActionAid is urging the food summit, organised by the FAO, to address trade issues. Mr Kronick would like to see some control exerted on the large multinationals which dominate commodity trade.

Hunger and the global agenda, ActionAid, Hamlyn House, Macdonald Road, Archway, London N19 5PG. Tel: 0171 281 4101. Fax: 0171 272 0899.

Deborah Hargreaves

PUBLIC NOTICES

PROPOSED MODIFICATIONS OF THE CONDITIONS OF THE LICENCE OF BRITISH TELECOMMUNICATIONS PLC (BT)

1 The Director General of Telecommunications (the "Director") in accordance with Section 12 (2) of the Telecommunications Act 1984 (the "Act") hereby gives notice that he proposes to make modifications to the licence granted to British Telecommunications on 22 June 1984 (the "BT Licence").

2 The effect of the modifications which the Director proposes to make are described in the Schedule below.

3 The Director proposes to make the licence modifications described in the Schedule to provide that BT recovers the costs of data management amendments (DMAs) made on behalf of other operators in a way which he considers is more appropriate and in keeping with a competitive market. He also proposes to remove the service 'Licence to use BT's NIS database' from the list of Standard Services as there has been no demand for it and to make some consequential changes and updates to BT's lists of Network Components and Parts. These modifications will increase the fairness and smooth working of the interconnection arrangements with BT.

4 The Director is required by Section 12 (2) of the Act to consider any representations or objections which are duly made and not withdrawn. Following consultation, the Director proposes to make the modifications forthwith following BT's agreement to them.

5 Representations on or objections to the proposed modifications may be made to: Vince Affleck, OFTEL, 50 Ludgate Hill, London EC4M 7JJ (telephone: 0171 634 8819) no later than 6 December 1996.
Any confidential material should be clearly marked as such and separated out into a confidential annex.
All representations or objections received by OFTEL, with the exception of material marked confidential, will be made available for inspection in OFTEL's library.

6 Copies of the proposed modifications and new lists of Components and Parts (with an explanatory memorandum) can be obtained from Peter Hammond at the above address (telephone 0171 634 8841).

SCHEDULE

Removal of Data Management Amendments from the List of BT's Standard Services (Condition 16B.10)

The proposed modification would in effect remove all the services in the category 'Data Management Amendments' from the list of Initial Standard Services agreed between the Director and BT on or before 31 March 1995 and such services and the costs of such services will be treated as part of, and the costs allocated to, Conveyance Standard Services in the Final Charges determinations effective from 1 April 1995.

The modifications also provide that where an operator has paid BT Interim Charges for data management amendment services, the amounts will be taken into account when settling the amount due to or from BT following the recalculation and redetermination of Final Charges for Standard Services for the years in question, (ie the years ended 31 March 1996 and 31 March 1997).

Removal of 'Licence to use BT's NIS Database' from the List of BT's Standard Services (Condition 16B.10)

The proposed modification would in effect remove the service 'Licence to use BT's NIS database' from the list of Initial Standard Services agreed between the Director and BT on or before 31 March 1995. The Director will not have to determine the charge for this service unless an operator makes a valid determination application under Condition 13 of the BT Licence.

Amendment to definitions of 'Network Components' and 'Network Parts' (Condition 16B.10)

The proposed modifications incorporate by reference consequential changes to the lists of Network Components and Network Parts to reflect the deletions of 'Data Management Amendments' and 'Licence to use BT's NIS database' from the list of Standard Services and update the lists generally. The modification also provides that the lists of Network Components and Parts can also be amended in future with the consent of the Director.

SECTION 8 WATER INDUSTRY ACT 1991
ENVIRO-LOGIC LIMITED

Notice is given that on 28.10.96 Enviro-Logic Limited of 42-46 Weymouth Street, London W1N 3LQ applied to the Director General of Water Services for an appointment as a water and sewerage undertaker to replace Northumbrian Water Limited in respect of the area at 2 Stephenson Road, Peterlee, Co. Durham SR8 5AY at present occupied by Walkers Snack Foods Limited. The application is made in the circumstances described by Section 7(4) (bb)

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Melanie Miles on
Tel: +44 0171 873 3308
Fax: +44 0171 873 3064

LEGAL NOTICES

In the High Court of Justice No 006179 of 1996
Chancery Division
Companies Court

IN THE MATTER OF BLENHEIM SERVICES (WEST LONDON) LIMITED
and
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 30th October 1996 presented to Her Majesty's High Court of Justice for the confirmation of the cancellation of the Share Premium Account of the above-named Company amounting to £596,999.
AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Companies Court Registrar at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday 20th November 1996.
Any creditor or shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of Share Premium Account should appear at the time of hearing in person or by Counsel for that purpose.
A copy of the said Petition will be furnished to any such person requiring the same by the under-mentioned Solicitors on payment of the regulated charge for the same.
DATED the 7th day of November 1996
Slaughter & May
35 Basinghall Street, London EC2V 5DB
Tel: 0171 600 1200
Ref: RLH

In the High Court of Justice No 007734 of 1994
Chancery Division
Companies Court

IN THE MATTER OF SCAN RE INSURANCE CO LTD
and
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN THAT on 25 June 1996 the "payment percentage" under the scheme of arrangement between Scan Re Insurance Company Limited and its Scheme Creditors (as defined in the scheme of arrangement) was raised from 7.5% to 12.5%.
Persons with claims should submit them to the company in the normal way at the following address:
Scan Re Insurance Company Limited
44/46 Old Steine
Brighton
BN1 1NH
4 November 1996
Ashurst Morris Crisp
Broadwalk House
5 Appold Street
London EC2A 2HA
(Reference: NJA)
Solicitors for: Gareth Howard Hughes and Nigel James Hamilton, Scheme Administrators

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CONTRACTS & TENDERS

PETRÓLEO BRASILEIRO S.A. PETROBRAS

BOLIVIA - BRAZIL GAS PIPELINE
INTERNATIONAL COMPETITIVE BIDDING
NOTICE

PETRÓLEO BRASILEIRO S.A. - PETROBRAS shall contract through the Bidding Documents nº 578-9-003-96 and nº 578-9-503-96 the purchase of the valves for the Brazilian and Bolivian Spreads, respectively, of the BOLIVIA - BRAZIL GAS PIPELINE.
The Biddings will be made under the rules and procedures of the WORLD BANK (IBRD) and of the INTER-AMERICAN DEVELOPMENT BANK (IDB) and its purpose is the purchase of ball valves designed according to API 6D specifications, with diameters from 8" to 32" and pressure class of 600 # and its delivery at the designated places.
From November 11, 1996 on, interested Bidders, from eligible countries who are members of the WORLD BANK (IBRD) or of the INTER-AMERICAN DEVELOPMENT BANK (IDB) may obtain the Bidding Documents through the payment of a non-refundable amount of US$ 1,500.00 (One thousand five hundred dollars) for each Bidding Documents or consult these documents without any expense at the following addresses:

BRAZIL: PETRÓLEO BRASILEIRO S.A. - PETROBRAS
SEGEN/GASBOL
Rua General Canabarro, 500 - 6º andar
CEP 20271-201 - Maracanã - Rio de Janeiro - RJ - Brasil

and / or

BOLIVIA: PETROBRAS BOLIVIA S.A.
3º Anillo entre Av. Piraí y Av. Grigotá
Complejo Diamond Shamrock
Santa Cruz de la Sierra - Bolivia

CONTRACTS & TENDERS

INVITATION FOR PROPOSALS FOR PRIVATE SECTOR TO BUILD, OWN & MAINTAIN POWER TRANSMISSION LINES & GRID STATION ON ICB BASIS

Under the "Policy Framework and Package of Incentives for Private Sector Transmission Line Projects in Pakistan" the Private Power & Infrastructure Board (PPIB) invites the proposals from private sector companies having the necessary background and experience to independently build, own and maintain extra high voltage (500kV) overhead power transmission line approximately 185kms double circuit (185x2) from the 1320 MW CEPA Power Project at Keti Bandar to Moro and the associated grid station at Moro. This transmission line project must be closely coordinated with the CEPA Power Project and the development of the transmission line project is conditional upon the financial closing for the CEPA Power Project.

Those interested in submitting proposals must register with the PPIB by payment of a non-refundable registration of Rs.50,000 in order to obtain the Invitation for Proposal (IFP) comprised of:

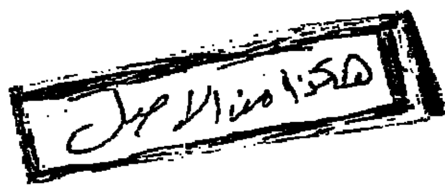
- **Application Form alongwith Appendix**
- **Key features of the project and Bid Submission Requirements**
- **Form of Performance Guarantee**
- **Implementation Agreement (draft)**
- **Transmission Services Agreement (draft)**
- **Overhead Lines General Specifications**
- **Technical Parameters for 500 kV substations**

The IFP will be available from PPIB on about November 21, 1996.
All proposals must comply with the following conditions:

1. Full details of the proposed organization to be located in Pakistan along with the qualification of the key personnel to be provided.
2. The package in the Appendix of the application form are not negotiable and will be the essence of the contract.
3. The transmission line must be completed to allow the testing schedule of the CEPA Power project and the Power Purchase Agreement and any application offering an alternative completion date will be rejected.
4. Proposals are to be submitted for the package complete in all respects, indicating a levelized monthly transmission service charge against each item of Tables 1 & 2 to the Appendix of the application form over a period of 30 years. The actual transmission service charge in each year may not exceed limitations specified in the IFP.
5. Performance bond as per the draft provided in the IFP is to be submitted alongwith the application. The performance bond shall, however, be returned in case the application is not accepted.
6. The qualifications of bidders provided in the IFP must be complied within all respects.
7. Proposals that do not comply with these conditions shall be rejected by the PPIB.

A pre-bid meeting will be held in Islamabad on December 7, 1996 and proposals will be submitted at PPIB offices not later than 12.00 noon on January 15, 1997.

ACTING MANAGING DIRECTOR
Private Power & Infrastructure Board, Ministry of Investment,
House No. 50, Nazimuddin Road, Sector F-7/4, Islamabad, Pakistan
Tel: (92-51) 9222378, 9214731, 9206357, 9201848 Fax: (92-51) 9217735, 9215723



NEWS: THE AMERICAS

Trent Lott: new King of the Hill

The longer-term struggle for the hearts and minds of the Republican party may yet run for years. But Tuesday's election made clear who is the party's immediate boss in Washington.

It is not Mr Bob Dole, who lived in the capital for 35 years but who is on his way to a well-earned retirement, unless picked out by President Bill Clinton to head a bipartisan commission on Medicare reform.

Nor is it Mr Jack Kemp, his defeated running mate, who has no obvious political base.

It certainly is not Mr Newt Gingrich, who two years ago was saying Mr Clinton would be "very, very dumb" to stand in the way of his conservative revolution. He is back as Speaker of the House, but with a reduced Republican majority and with every public opinion poll reporting there is no more disliked politician in the country.

The new king of the hill, in more ways than one, is Senator Trent Lott, the 55-year-old from Mississippi, who was beginning to make a mark as majority leader, taking over from Mr Dole in July, even before the election strengthened his hand.

Now he presides over a slightly larger party edge in the Senate – gaining one seat or two, depending on the final count in Oregon. He will not have the vital 60 seats needed to cut off filibusters, but whereas the House has become, if anything, slightly more moderate, the Senate, long the chamber of careful deliberation, has shifted to the more impatient right.

Three conservative Republicans have been elected to previously Democratic seats in Arkansas, Alabama and Nebraska, while three moderate Republicans have retired, in Kansas, Maine and Oregon. Of Tuesday's winners, four new Republican senators – two in Kansas, and in Colorado and Wyoming – are all to the right of their Republican predecessors.

One obvious consequence of the ideological shift would appear to be that the constitutional amendment to balance the budget by 2002, which fell short of the required two thirds majority by a single vote in 1995, would comfortably pass – and Mr Lott hinted immediately he would bring it up.

His prior record – 16 years in the House and eight in the Senate – had placed him firmly on the uncompromising Republican right. But once he took over from Mr Dole, he demonstrated a surprising inclination to cut deals with Democrats to break the legislative logjam. Agreements were reached to increase the minimum wage, pass the portable health insurance bill and, finally welfare reform – some Republican priorities, but others pushed most strongly by Democrats.

The net result was that congressmen were able to seek re-election with a legislative record that looked far better than seemed likely when Mr Dole was majority leader and trying to score points off Mr Clinton for his presidential campaign. Mr Lott gets much of the credit for this.

> The courteous Republican party boss from Mississippi has been inclined to cut deals with the Democrats. But now he has a real chance of pushing through a constitutional amendment to balance the budget

Whether the spirit of co-operation continues into the second Clinton term also in good measure depends on him. But equally as important as legislative considerations are whether he decides to use his power to pursue investigations into the many allegations of scandal surrounding Mr Clinton and his administration.

To date, he has been diplomatic.

Sen Trent Lott, majority leader

"That is not going to be our principal and primary focus," he said, implying that Whitewater and related matters should first be left to the discretion of Mr Kenneth Starr, the special counsel.

Even more remarkably, Senator Al D'Amato of New York, chief Whitewater scourge of the Clintons but beginning to gear up for his own re-election in 1998, said he was going to drop the issue. It might be relevant that the president carried New York state with 59 per cent of the vote.

But Mr Lott did virtually promise hearings on the Democratic party's fund raising activities. He will also inevitably be drawn into the broader issue of campaign finance reform affecting both parties, on which the electorate clearly expects action.

And he will be under much pressure from party members to find a way of getting at organised labour, whose $35m advertising campaign against Republican congressional candidates, not as successful as the unions had hoped, created a deep well of conservative resentment.

Mr Lott is, like many southerners, naturally courteous and quite popular with colleagues on both sides of the aisle. Unlike Mr Gingrich in his pomp of two years ago, he has been quick to respond to the overriding message of the election: that the country prefers co-operation to confrontation and problem-solving to ideological impositions.

But there was also more than a hint of steel in his formal post-election statement. "There is a conservative mandate in this election, with Republican majorities in Congress and a president largely re-elected on our issues," he said.

Mr Clinton, the other undisputed boss in Washington at the opposite end of Pennsylvania Avenue, might disagree with that.

Jurek Martin

Warren Christopher bows out after years of determined effort in Middle East

Unsung vicar of US foreign policy

It did not look like Warren Christopher on the White House lawns on Wednesday afternoon. The hangdog face was creased in the widest of smiles and the trademark natty shirt and tie were concealed in a gaudy T-shirt welcoming the Clintons and Gores back home after their re-election.

Now one of the most maligned secretaries of state in recent US history is about to go home, to his beloved California. There, over the years, he will doubtless compare notes about Washington and the world with others leaving the Clinton cabinet for the laid-back life in the Golden State – Mr William Perry, secretary of defence, and Mr Mickey Kantor, in charge of commerce, among them.

The real Christopher legacy is one of patience, persistence and self-effacement as the 'vicar' of foreign policy. His record on departing looks a lot better than it did midway through his tenure but his approach to the job and his character, the good side and the bad, almost ensured from the beginning he would be more criticised than admired.

The US foreign policy establishment likes its secretaries of state larger than life and long on strategic vision. That is why previous office holders, such as John Foster Dulles, Henry Kissinger, George Shultz and James Baker, cast long shadows.

These four, with the exception of Mr Shultz, were never really team players. They played policies close to their vest, fought with foreign policy rivals in other departments, like the White House national security council, and employed private hot lines to their presidents whenever it suited.

Dr Kissinger and Mr Baker, in particular, played the media as if it were a Stradivarius, through artful leaks that showed them in the best light.

Mr Christopher preferred sober conversations on public television with Mr Jim Lehrer, the anchorman, that always informed but rarely excited. He has always been more of a manager. In that respect one of his more admirable qualities has consistently been the ability to delegate, even in those subject areas where he could claim reasonable expertise.

Thus he has let Mr Dennis Ross carry as much of the negotiating ball in the Middle East as he has himself, though an average of six visits a year to the region demonstrates his own personal commitment.

He saw that Mr Richard Holbrooke was the right man to bring about the Bosnian peace accords and let him get on with it, as he did with Mr Robert Gallucci, the diplomat who negotiated the de-nuclearisation agreement with North Korea.

Nor did he pick fights with the NSC, run by Mr Tony Lake, also imbued with self-effacement. That was most graphically demonstrated over US initiatives in Northern Ireland, run almost exclusively out of the White House.

There were plenty of reservations in the state department – Ms Jean Kennedy Smith, the US ambassador in Dublin, was formally reprimanded for carrying out NSC orders too enthusiastically – but Mr Christopher never demurred in public and clamped down on incipient departmental dissent.

He also had apparently no problems with the full rein accorded Vice President Al Gore to develop relations with Russia through the Gore-Chernomyrdin commission. It helped that in Mr Strobe Talbott he had a deputy well plugged into Russian affairs.

But offsetting the achievements of this collegial approach was the fact that Mr Christopher never really gave "the speech" defining US foreign policy goals in a changing world. His syntax, in many interviews, was always careful and prosaic, like the good lawyer he was.

He also suffered more than his share of personal humiliation, unlike many predecessors. The Chinese treated him with disdain more than once, as did the Europeans when, early in 1993, he failed to persuade them to go along with the administration's "lift and strike" policies in the Balkans. President Hafez al-Assad of Syria was prone to keeping him waiting, or not seeing him at all.

He thus became an easy target for critics, at home and overseas, who charged the US had no foreign policy. That amounted to such a crescendo that, in 1994, his president even had retired General Colin Powell sounded out as a possible replacement. Rumours that Mr Christopher was about to be ditched were constant for the first three years of his term.

But, in the end, Mr Clinton returned loyalty with loyalty and both had the satisfaction of seeing the foreign policy record improved around the world.

This year saw some setbacks – in Northern Ireland and following the election of Mr Benjamin Netanyahu as prime minister of Israel – but in both areas the peace process, if more fragile, remains alive.

Warren Christopher may write a book, as most former secretaries of state, even the less illustrious, do, but it probably will not sell well. He could use it to settle old scores, but the character of the man suggests otherwise. Four years before a particularly hard mast entitle him to a rest.

SURPRISE: A smiling Christopher on the White House lawn wearing a T-shirt under his suit Reuter

Jurek Martin

EU's mixed regard for Clinton

Enthusiasm tempered by concern at go-it-alone tendency, writes **Lionel Barber**

Four years ago Mr Bill Clinton was an untested 46-year-old governor from Arkansas with next to no experience in foreign policy. Today, he is seen as a strong supporter of European integration, a more mature figure whose goodwill could be vital as the European Union embarks on the twin challenges of economic and monetary union and eastward enlargement. This is why his re-election victory has drawn such an enthusiastic response in Europe – in contrast to the guarded welcome four years ago.

But the bad news is that Europe is going through one of its periodic attacks of jitters about American power. There is no sense of imminent crisis; but Europeans are becoming uncomfortable as the economic, military and technological gap with the US widens and the temptation for American unilateralism grows.

The first signs of European frustration appeared when the US brokered the Bosnia peace settlement in Dayton, Ohio, late last year and Europe found itself sidelined in its own backyard.

More recently, the US has seized the initiative in other regional conflicts, including the Greco-Turkish dispute in the Aegean, Iraq, Northern Ireland and the Middle East.

On the economic front, US muscle-flexing took on new dimensions when Mr Clinton, under pressure from the Republican-led Congress, signed the anti-Cuba Helms-Burton law which penalises foreign companies "trafficking" in assets confiscated by the Castro regime. An outraged EU has lodged a complaint with the World Trade Organisation over its extra-territorial scope.

Both sides misunderstand each other

Both the EU and the US are trying to engineer a "cooling-off" period on Helms-Burton to avoid escalation of the dispute; but the Republican party's continuing control of the House and Senate may make a resolution more difficult. "The Europeans think the president can get them off the hook," says a US diplomat, "but they forget that Congress has a say in foreign policy, too."

The same problems of perception apply to American attitudes toward the EU. Washington still sees the EU as an awkward, incoherent, inward-looking partner. Last weekend, at a conference on transatlantic relations in Ditchley in England, several participants complained about the time invested on "Euro-building", forgetting that many Europeans see the Maastricht treaty review conference (the so-called IGC) and the planned single currency as building blocks for a stronger Europe.

Part of the problem comes down to mood. Europe is down, and the US is definitely up. In the mid-1980s Americans thought they had forgotten how to make a motor car or a microchip; but today Uncle Sam's confidence is back. The Europeans, however, are still struggling with slow growth, high unemployment, and the challenge of reducing the burden of the welfare state.

Diverging domestic agenda in the US and Europe increase the risk of drift or, at best, spasmodic co-operation. Over the next four years, at least four issues will test the relationship.

● Economic and monetary union. For better or worse, Chancellor Helmut Kohl of Germany and President Jacques Chirac of France have turned Emu into a make-or-break project for Europe. A delay or outright failure would have repercussions beyond the EU. On the other hand, the US as a leading exporter and investor in Europe, is anxious to find out whether the euro zone will produce growth or more sluggishness.

● Enlargement of the EU and the Nato alliance, and the need to manage Russian weakness. Under US pressure, Nato is expected to select candidates for Nato membership in mid-1997, most likely the Czech Republic, Poland and Hungary, for entry in 1999.

US still views Europe as first partner

The US wants the Baltic states to wait in deference to Russia. To soften the blow, it is pressing a reluctant EU to commit itself to admitting Estonia, Latvia and Lithuania in the first wave of new EU members around the turn of the century.

Such geo-political trade-offs alarm the Europeans, who would prefer to defer hard choices on EU enlargement until after the IGC and the launch of the single currency.

● The Maastricht 2 conference. So far, the US has steered clear of a position on the IGC for fear of arousing suspicion that it is pursuing a divide-and-rule strategy. But it is uncomfortable with British obstructionism and sees closer European integration as crucial to managing German power.

● Creating a new European defence identity in Nato. Mr Clinton supports Europeans' taking on more military responsibilities and welcomes France's tentative moves into the integrated command, but the US is worried about declining defence spending in Europe where politicians are more interested in "visibility" than "capability".

Despite these strains, transatlantic relations are in good shape. The two-way flow in trade, totalling $412bn last year, and investment, which reached $776bn, speaks volumes, as does co-operation in the Nato-led Ifor mission in Bosnia. The US still views Europe as the first partner of choice, even if the go-it-alone impulse is alive and kicking.

Mexico budgets for crime

Mr Guillermo Ortiz, Mexico's finance minister, yesterday sent to Congress a 1997 budget which includes large outlays to pay for bank bailouts and social security reforms and to re-equip Mexico's police forces against a surge in organised crime, Leslie Crawford reports from Mexico City.

Tax receipts are expected to rise by 5 per cent in 1997, slightly above the forecast economic growth rate of 4 per cent. Finance officials said a crackdown on tax evasion and Mexico's economic recovery would yield higher tax receipts in spite of a projected 12.9 per cent fall in oil revenues.

Mr Ortiz said he would run a budget deficit of 0.5 per cent of GDP in 1997 because of the cost of implementing social security reforms and the official aid programmes which are propping up Mexico's debilitated banking system. Although the start-up of private pension funds has been delayed until mid-1997, Mr Ortiz said paying for state pensions in the second half of the year would cost the government 0.63 per cent of GDP. Bank bailouts are expected to cost another 0.4 per cent of GDP next year.

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A BETTER APPROACH TO BUSINESS

Largest rolling stock contract since privatisation attracts bidders from seven countries

European suppliers swoop on rail order

By Charles Batchelor, Transport Correspondent

The first large order for new railway rolling stock since the privatisation of the national network has attracted bids from suppliers throughout Europe.

The range of bidders for the contract to supply 44 new four-coach trains for the London, Tilbury & Southend commuter line to the east of the capital indicates the extent to which privatisation is opening up the railway supply industry in the UK.

Companies on the shortlist are understood to be Adtranz, a Swiss-Swedish-German group; Siemens of Germany; GEC Alsthom, the Anglo-French group; Ansaldo and Breda, both of Italy; De Dietrich of France; CAF of Spain and Evershoit, Angel Trains and Porterbrook. The latter three are the British rolling stock leasing companies, known as roscos. More than 20 companies applied to prequalify, including SLM of Switzerland, Holec of the Netherlands and Bombardier, a Canadian-owned group, but were not shortlisted.

Some of the LTS Rail bidders have already supplied trains to the UK market. Bombardier and Breda supplied trains for routes to France, Ansaldo is a partner in the Midland Metro tram project, and Siemens is making trains for the Heathrow Express airport link in London. But for most suppliers, the LTS deal would be their first significant entry into the domestic UK rail market.

The bidding raises the prospect of manufacturers doing direct supply deals with the train operating companies carved out of the national network. That would mean bypassing the roscos which now own the former national state fleet of 11,000 locomotives and carriages. Manufacturers could either set up their own leasing deals or turn to third party leasing companies other than the three roscos.

LTS Rail, owned by the Prism Rail group, has until mid-January to sign a contract for the supply of the new trains, said Mr Richard McClean, production director. This will enable the manufacturer to start delivering trains by November 1999, the deadline set by the franchising director. If this deadline is not met, the 15-year franchise awarded to LTS will shrink to seven years.

LTS is asking bidders for proposals ranging from the outright purchase of the new trains – which could cost several hundred million pounds – to an operating lease under which the manufacturer maintains the trains.

The first new train order in Britain following privatisation, for 12 coaches costing £34m ($55.4m) was awarded by Chiltern Railways to Adtranz in September.

Billing setback on gas costs $130m

By Robert Corzine in London

British Gas, the former state utility, has been hit by an unexpected £80m ($130m) cost for rectifying problems in the national billing system being introduced by its trading and distribution company.

Most of the costs have been for additional staff to handle a surge of consumer complaints and inquiries about the system, operated by British Gas Energy, which is due to be demerged next year.

British Gas's efforts to rehabilitate its public image have been undermined by a series of costly computer and telecommunication failures that have strained its relations with suppliers including ICL and British Telecommunications.

In September, Mr Roy Gardner, BGE's chief executive, was forced to spend an additional £10m to upgrade one of the country's largest new computers after it suddenly failed. The computer collapse left thousands of British Gas's telephone service representatives around the country staring at blank or rolling screens while they were on the phone to customers.

Simultaneous problems with telecommunication links between the regional service centres and the computers near London exacerbated the problem. Customer service operators, who deal with 800,000 calls a week, were confronted with "spinning screens" 20-30 times a day, say executives.

The technical failures created a big backlog of incomplete customer contacts, which in turn led to a big rise in complaints to the Gas Consumers Council. Emergency measures taken by the company proved to be ineffective.

Executives say that a recent surge in billing errors can be traced to the replacement of 12 regional billing systems this year with a single national system covering all 19m domestic customers.

"We knew 1996 would be difficult, said Mr Alexander. "But we are very concerned about the size of the problem."

Opposition may turn itself into coalition

Parties might unite to end 18 years of Conservative rule

Many Europeans take political coalitions for granted. German, Belgian and Italian parties have united in government regularly for the past 50 years.

But Britain tends to keep coalition governments for times of domestic crisis and war. The National Government of the 1930s was formed to combat the economic fall-out of the great depression. During the first and second world wars, David Lloyd George, a Liberal, and Winston Churchill, a Conservative, were prime ministers of coalition governments.

Since then, the nearest Britain has come to a coalition was in 1977-78, when Mr Jim (now Lord) Callaghan's minority Labour government and Mr David (now Sir David) Steel's Liberals worked together on policy issues.

"England does not love coalitions," Benjamin Disraeli, twice prime minister under Queen Victoria, once told the House of Commons. But the Westminster talk today is that Labour, the main opposition party, may be ready to co-operate with the second principal opposition party, the Liberal Democrats, descendants of Lloyd George's Liberals, after the coming general election.

Much depends on the arithmetic of the next parliament. If Labour secures only a small working majority – or the election produces a "hung" parliament with no majority overall – Mr Tony Blair, the Labour leader, may look to the Liberal Democrats for help.

The two parties share broadly similar objectives. Both occupy the political centre-left and are pro-European. Both want to devolve power to Scotland and Wales and abolish hereditary representation in the House of Lords, the unelected upper House of Parliament.

Crucially, the personal chemistry between Mr Blair and his Liberal Democrat opposite number, the former Royal Marine Mr Paddy Ashdown, is good. The two leaders talk regularly, and their parties currently co-operate on issues as diverse as knife/gun control and constitutional reform.

Even the most optimistic Liberal Democrats believe the party will win only about 40 seats out of 659 at the next election, which means they can hope to wield real political influence only by working with Labour.

During the 1992 election campaign, the MORI polling company showed that in the event of a hung parliament, almost half the British public favoured holding another election rather than being ruled by a coalition or minority government.

Mr Roger Mortimore, a MORI analyst, says the British distaste for coalitions is more institutional than cultural, being a product of the country's voting mechanism. "Our first-past-the-post system is designed to produce majorities," says Mr Mortimore. "Coalitions are more likely under proportional representation, as majorities are harder to achieve."

Certainly, Britain's voting rules, which award Parliamentary representation on the basis of constituency seats won rather than total votes gained, mean that parties frequently form majority governments without securing an overall mandate from the people. Mrs Margaret (now Baroness) Thatcher won her landslide victory in 1983 with only 42 per cent of the vote.

Perhaps the most decisive reason why the British, when pushed, would come out against coalitions is the memory of the Liberal-Labour pact itself. It ended with the "winter of discontent" in late 1978 – a period when public services broke down amid bitter trade union strife.

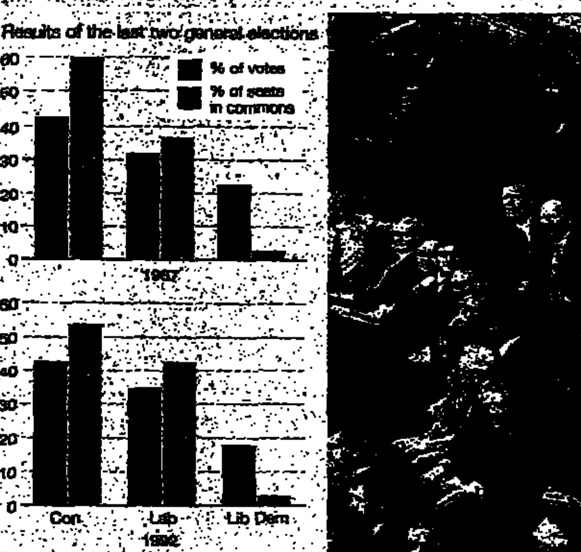
The pact eventually broke down when Mr Steel steered the Liberals away from Labour after a failed vote on Scottish devolution. In fact, by uniting with the other opposition parties to narrowly defeat the Callaghan government in a vote of no-confidence, the Liberals paved the way for the first of Mrs Thatcher's three election victories.

None of these lessons will be lost on Mr Blair, but he may yet be forced into a pact if Britain has a hung parliament after the next general election. Although opinion polls consistently show his party well ahead, it has been defeated in each of the past four general elections.

But if Labour secures an overall majority, Mr Blair will instantly dismiss all ideas of a pact with the Liberal Democrats. In this case the Labour leader might want to console Mr Ashdown with the words of Herbert Asquith, prime minister from 1908 to 1916 and the last head of a purely Liberal government.

"Nothing is so demoralising as coalitions to the tone of public life," he said, "or so belittling to the stature of public men."

Liam Halligan
George Parker



Ceasefire hint by Irish deputy PM

By Robert Peston, Political Editor

The governments of Britain and the Republic of Ireland are edging towards agreement on terms allowing Sinn Féin into all-party peace talks about the future of Northern Ireland after any renewed ceasefire by the Irish Republican Army, Mr Dick Spring, the Irish deputy prime minister, hinted yesterday.

In an interview with the Financial Times, he held out the possibility of a ceasefire before Christmas. But he said there was a "sense of urgency" because if it did not happen soon there would probably be no breakthrough "before the [UK] general election". The election is not expected before May next year.

"The majority of people in Sinn Féin want to get into the peace process," Mr Spring said. However they would only do so if treated with "esteem".

He was confident that Mr John Major, the UK prime minister, would not be deterred from an accommodation with Sinn Féin by domestic political pressures. "John Major has taken a lot of risks," said Mr Spring. "He will do so again for Northern Ireland."

He acknowledged the powerful pressures on Mr Major from the parties in Northern Ireland which are determined to retain the union with Great Britain and from the pro-union wing of the British Conservative party to keep Sinn Féin out of peace talks.

"I say, in fairness to everybody, don't underestimate the difficulties for the British Government and the unionist parties in relation to recent events [especially the bombing of the British army headquarters in Northern Ireland]." Mr Spring said at a press conference in London earlier in the day.

However, he believed it was possible to circumvent the demand from unionists in Northern Ireland that considerable time had to elapse between any IRA ceasefire and an invitation to Sinn Féin to all-party talks. Sinn Féin could be offered involvement in a political "process" over the Christmas holidays, which would involve discussions with officials and ministers of both governments before all-party talks.

During this period, Sinn Féin would have to sign up to the Mitchell principles on the abandonment of violence and give a commitment that the IRA would stop all punishment beatings.

Philip Stephens, Page 12

'Workfare' scheme to expand

A scheme which forces the long-term unemployed to seek work will be expanded rapidly across the country, Andrew Bolger writes. The government said yesterday that the numbers leaving the unemployed register in two pilot projects have brought "considerable benefits" to the state. The scheme will cover 30 areas from southern England to central Scotland and 100,000 long-term unemployed people, at a cost of £100m ($163m).

Although the pilot schemes have found jobs for fewer than 10 per cent of the first 5,000 clients, nearly 1,100 have stopped claiming benefit, encouraging ministers to think benefit fraud might be higher than previously supposed.

Mr Michael Heseltine, deputy prime minister, said: "There is a group who have been cheating the taxpayer and all those who have been working."

Although the pilot projects will not be completed until July, the expansion of the scheme has been enthusiastically supported by Mr John Major, the prime minister, and Mr Heseltine.

Mrs Gillian Shephard, education and employment secretary, was "very encouraged" by the pilots at Maidstone and Medway in south-east England and Hull in the north-east. They "flushed out of the system people who have been cheating, she said."

Under the scheme, people aged 18 to 50 who have been unemployed for more than two years receive 13 weeks of job-search training, followed by 13 weeks of compulsory work experience. Those on work experience receive an allowance equal to their benefit, plus £10 a week. Refusal to attend work experience leads to loss of benefit.

Editorial comment, Page 13

UK NEWS DIGEST

Firms welcome liability move

A new law to reduce the legal risks faced by professionals working in partnership is to be brought forward by the government, Mr Ian Lang, chief trade and industry minister, said yesterday.

He said that full proposals to allow limited liability partnerships to set up in the UK would be published before Easter next year for wide consultation. The government had hinted strongly that firms seeking shelter under the new law would have to offer protection to their clients by disclosing a wide range of financial information.

The announcement was welcomed by the big accountancy firms. Mr John Roques, senior partner of Deloitte & Touche, said that if the details were acceptable the firm would convert to limited liability status.

The new law will protect the personal assets of a partner from legal suits brought over the negligence of fellow partners – but the assets of the firm and of the negligent partner will still be at risk. The Department of Trade and Industry said the level of disclosure was open for discussion but "could well be along the lines" currently required of companies. *Jim Kelly*

■ PENSIONS FUNDING

Lords attack 'misleading' claims

A group of pro-European lords today launches a fresh attack against the view that the UK could end up paying for the unfunded pensions liabilities of European Union states if it joins a single currency. Lord Howe, the former Conservative chancellor and deputy prime minister, leads the attack against what the lords call "sensationalist and misleading claims".

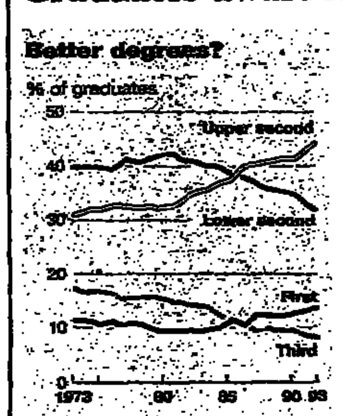
"There is no more likelihood of British citizens paying for continental Europe's pensions than for German schools or French nuclear weapons," they write in the Financial Times.

However, their letter is countered by another to the FT signed by nearly all the members of the House of Commons social security committee. The committee argued last week that France and Germany would have to face big increases in current spending on pension payments in the next century because of their ageing populations and reliance on pay-as-you go pension schemes. *James Blitz*

Letters, Page 12

■ UNIVERSITY EDUCATION

Graduates awarded more 'firsts'



A far higher proportion of graduates is gaining first class or upper second degrees, known collectively as "good degrees", than 20 years ago, the Higher Education Quality Council said yesterday in a study that will renew the controversy over whether academic standards are falling. The shift has been so marked that while in 1973 only 42 per cent of students gained a "good" degree, by 1993 62 per cent did so, a 50 per cent rise in 20 years. Upper rather than lower seconds are now by far the most common degree, while the proportion of firsts rose from 11 per cent in 1973 to 15 per cent in 1993. The proportion gaining thirds halved to 9 per cent. Some universities consistently award more "good" degrees than others. *Nicholas Timmins*

■ RETAIL SURVEY

Sales rate fastest since 1988

Retail sales rose last month at the fastest rate since the boom year of 1988, throwing into doubt the government's hopes of reaching the general election without a further rise in interest rates.

The latest survey by the Confederation of British Industry shows Britain's shops enjoying a widespread increase in business, with all retailing sectors reporting increased sales for the first time since January 1990. The robust rise, which reverses the dip in business in September, is likely to add to mounting pressure on Mr Kenneth Clarke, chancellor of the exchequer, to tighten monetary policy again ahead of the election, expected next spring, in order to limit the danger of rising inflation. The CBI said it saw no immediate need for a new rates rise. *Graham Bowley*

■ HOLIDAY INDUSTRY

Companies face monopoly probe

The selling of package holidays outside Britain by UK tour operators and travel agents is to be investigated by the Monopolies and Mergers Commission. The decision took the £7bn ($11.4bn) package holiday industry by surprise because it was cleared of anti-competitive behaviour two years ago by the Office of Fair Trading.

But independent travel agents argue that vertically integrated groups – the largest of which are Thomson and Airtours – use unfair trade practices which are squeezing independent travel agents and tour operators out of the market, leading to less choice for consumers. Thomson and Airtours own Lunn Poly and Going Places respectively, the UK's two largest travel agencies.

Shares of vertically-integrated travel groups tumbled on the London Stock Exchange yesterday. Airtours fell 61¼ pence to 651½ pence and Inspirations, which has links with A.T. Mays, the travel agent, fell 16 pence to 82½ pence. *Scheherazade Daneshkhu*

Lex, Page 14

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or

- Escritório COPEL / São Paulo
  Alameda Santos, 1800 - 14° andar - conj. 14B
  01418-200 - São Paulo - SP
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  Telefax (55-11) 288-3929

At the time of Bid Documents purchase, all companies shall present a letter containing name and department of the person for contact and complete mailing addresses.

The receipt of Qualification and Bid Documents is scheduled for December 20th, 1996, at 2:00 P.M., at COPEL's office meeting room in Curitiba, Rua Voluntários da Pátria, 233, ground floor.

The Bidding will be ruled by Law no 8666, dated June 21, 1993 and by other conditions stated herein and in the Bidding Documents.

COMPANHIA PARANAENSE DE ENERGIA

Delay reveals daunting scale of share system

By John Gapper, Banking Editor

The delay to the timetable for Crest, the UK electronic share settlement system, announced on Wednesday, is a sign of the daunting scale of the undertaking. Only now, with more than 10,000 stockmarket bargains being settled daily, can Crest's true complexity be appreciated.

On the face of it, the delay is small. Shares of about a dozen companies have been passing each week into Crest out of Talisman, the paper-based settlement system. About 10 of these – largely FTSE 100 stocks in which there is the greatest trading activity – will be delayed.

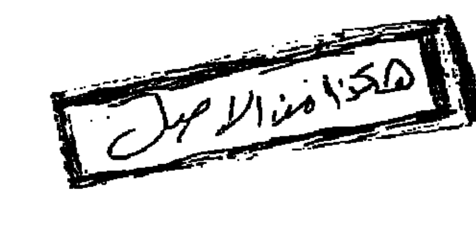
Instead of starting the process of "de-materialisation" – the passing of paper share certificates from custodians into electronic registers – before Christmas, they will do that in January. This is intended to give the system more time to mend its current problems.

Yet the delay could be a precursor to more serious problems if the initial hitches do not clear. Crest and its supervisors – the Securities and Investments Board and the Securities and Futures Authority – could then have to push back the entire timetable of transfer from Talisman to Crest.

The problems fall into two categories. The first consists of an assortment of difficulties that have led to the registrars that compile share lists having problems in reconciling their records with Crest's own. The second consists of software and technical problem in the way that Crest works.

CrestCo, the company owned by 60 big financial institutions, has come across other problems. One is an unexpectedly large number of unsettled bargains simply left lying around in the system. It is unable to crack down on brokers allowing this because it currently has no disciplinary code.

The second category includes unforeseen inflexibility in the Crest operating system. Mr Saville says that the software problems will gradually be ironed out. Yet Crest will need to make good use of its Christmas holiday to avoid the first slippage turning into something more serious.



John Kay

Now mind the gap

The public sector seems to be suffering from confusion about where responsibilities for functions and results lie

Public-sector management is in deep confusion. Reform is in progress throughout the English-speaking world – countries that speak French, or German have not seen much need for this process. The Americans, predictably degenerating into business clichés, have been reinventing their government. New Zealanders seem to have handed over most state functions to economists, private companies and, increasingly, to lawyers to argue about in the courts.

Britain pioneered privatisation although, with appropriate Civil Service caution, change at the centre of government is limited, like the first efforts of a toddler, to Next Steps.

The best text on this new public management is provided in Christopher Foster and Francis Plowden's *The State Under Stress* (Open University Press, 1996). Foster and Plowden are somewhat reluctant to reach firm conclusions. But some important ones emerge.

Almost every success of public-sector management reform results from increases in decentralisation, pluralism and contestability – handing down responsibility, allowing new ways of doing things, opening up activities that were previously public-sector monopolies.

Privatisation has been successful, as in the transformation of British Airways or the extraordinary efficiency gains which have been made in power generation, when directly associated with the introduction of competition. Competitive tendering for services has produced extensive cost savings. The Citizen's charter works when it substitutes individual employee responsibility for the implementation of a bureaucratic rulebook.

And most of the failures have to do with the substitution of formal contractual relationships for previous structures of informal co-operation. The breakdowns of morale in health and education. The growing complexity of regulatory rule books. The problems of the Child Support Agency and in prison service management.

Rail privatisation illustrates the dichotomy well. The gains are all from giving local managers more power to try new services or fare structures, and from giving freedom to divide priorities. The nonsenses are all to do with the perceived need to write elaborate contracts between newly separated organisations.

The trick is to try to achieve decentralisation and pluralism without excessive contractualisation. Rail privatisation will only work if the former develops and the latter atrophies. It's not easy, since the introduction of markets almost inevitably implies both. That's why it's all too common to confuse the two things, and why the introduction of markets is not always the best direction of reform.

Contractualisation is associated with a concept of separation. The old public-sector rule was that there was a separation between policy and administration. Ministers decided what to do and their civil servants did it. Today we talk of other kinds of separation: between policy and operations, purchaser and provider, customer and contractor. Separation between policy and administration could never work very well because, in any but the simplest of cases, it was impossible to make sensible decisions about what to do without being involved in doing it and difficult to do it well without some knowledge of and sympathy for the reasons it needs to be done.

> There used to be a separation between policy and administration. Ministers decided what to do and then their civil servants did it

And the new forms of separation mostly don't work for similar reasons. A split between purchaser and provider can only be satisfactory if the purchaser can decide what needs to be bought without the kind of detailed knowledge needed to provide it. This is fine if what you're buying is baked beans, or possibly even issuing driving licences. It doesn't work so well when what is being bought is healthcare, monetary policy or criminal justice.

And that leads to a distinction which much of the new public-sector management reform fails to understand: the difference between decentralising responsibility for functions and decentralising responsibility for outcomes. You can't successfully devolve responsibility for outcomes in situations that involve any substantial element of interdependence, and you cannot successfully devolve anything at all unless you devolve responsibility for functions. When you assign responsibility within a football team, you don't make one player responsible for shooting the first goal and another for stopping the other side from scoring. You give people roles, like goalkeeper or centre forward, and assess their contributions in that role to the overall objective of the team.

Similarly, central bank autonomy does not mean – as it seems to mean in Britain today – making the Bank of England independently responsible for the outcome (the inflation rate) without giving it independent responsibility for the function (the operation of monetary policy).

This leads to the pointless charade in which the Bank of England always says that inflation might be about to go up and therefore interest rates need to rise. It said it again this week.

The Bank finds itself in exactly the same position as the footballer who is told he is responsible for the result but is not allowed on the pitch. All he can do is shout encouragement to score goals and that is what the Bank of England does.

What independence and decentralisation really mean is telling the Bank to get on with the job of setting interest rates and other monetary activities, and holding it accountable for how well it does so. And not just in relation to the inflation rate, which is only partly under its control, but on how well it contributes to avoiding booms and busts in the economy.

The reason this doesn't happen much is that what ministers, or for that matter chief executives or anyone else with authority, want to do is just the wrong way round.

They want to shed responsibility for outcomes while retaining authority over what is done. This will go down in history as the "Michael Howard problem". When John Major said that the creation of executive agencies did not affect the principle of ministerial responsibility, he was either talking nonsense or saying that what was being done was a meaningless charade. New public-sector management still has many steps to take.

Victoria Griffith on changing American views of time off

Missing minutes

In the 1980s, the 60-hour week almost became a status symbol, and Americans were known to brag at parties about their extra hours.

The Overworked American, a book by Harvard professor Juliet Schor, documented the rise in the US work year by 160 hours between 1969 and 1989 – time the author called the "extra month".

Yet a new trend is emerging in the US workplace. Baby boomers who happily slaved away during the 1980s now have families and are demanding more time away from the office. "Downshifters" – high-powered executives who opt for a simpler life – are a new phenomenon.

Leisure time is emerging as the most coveted asset in the US. American workers in a study by the Employment Policy Foundation named time away from the office as the most valuable benefit their companies could offer. Indeed, the working week in the US may be on its way down for the first time in more than two decades. According to the Bureau of Labour Statistics, US employees put in 18 minutes less each week during the first nine months of 1996 than in 1989.

The changing structure of families is fuelling demand for time off. "You used to have one working parent and one at home taking care of logistical problems like getting the kids to school," says Robert Reich, US secretary of labor. "That is just not the case any more, and companies tell me they feel under pressure to respond."

The pressure for more vacation time is growing as US companies compete for increasingly scarce skilled labour. While time off in Europe is seen as a way to deal with high unemployment, – the less everyone works the more people will have jobs, the argument goes – expanding leisure benefits are viewed in the US as the result of a relatively low jobless rate (5.2 per cent). "We have a generous vacation policy because that is the best way to attract and retain good people," says Sally Brewster, benefits manager at Apple Computer. "The competition for staff here in Silicon Valley is fierce."

Companies seem increasingly alert to demands for time off and to the dangers of over-stretching workers. Fear of burnout led Intel, the manufacturer of computer processors, to adopt a more generous time-off package a few years ago. "We were finding that people would burn out after seven years," says Intel.

US companies are not simply increasing holidays, for many believe that flexibility matters more to workers than the total number of days off.

"People want to know they can have the time away from the office if they really need it, even if they never exercise the option," says Ken McDonald of the Employment Benefits Research Institute.

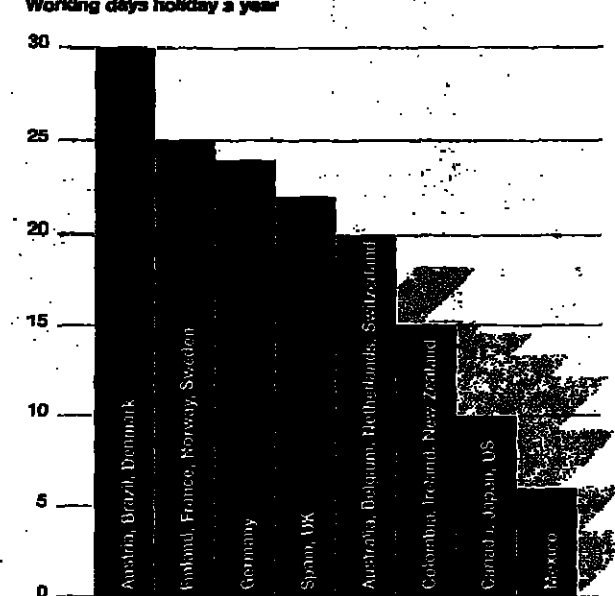
Companies are applying "empowerment" theory to benefits management. One result is "time-off banks". These group together all potential time off for employees – vacation days, sick days, personal days and sometimes national holidays. Employees diminish their deposit at the bank each day they fail to work, regardless of the reason. By grouping sick leave with vacation, US workers usually end up with a total allowance of 20 days, compared with just 10 days holiday for most employees. "In the past, workers would have to call in sick – basically lie – if they needed to care for a sick child or were just too tired to come in to work," says Susan Comeau, who heads human resources at State Street Bank. "Now, it's much more dignified." A study by Hewitt Associates, the consultancy, shows that at least 17 per cent of US corporations have already adopted such a programme.

Another American invention is the buy-sell option, by which employees can purchase and sell time off for a set price. Usually, companies impose ceilings and floors governing how much time off workers can barter. According to Hewitt Associates, at least 11 per cent of US companies use buy-sell schemes, including American Express, Quaker Oats and Fleet Financial Group. At those companies, 24 per cent of employees purchase vacation days, while 6 per cent sell them.

Corporations in industries with the greatest shortage of skilled workers have adopted sabbatical leave. This varies in length from six weeks to two years, and are either paid or unpaid, and offered as a reward to long-term workers.

US corporations are experimenting with other programmes. Apple Computer, for instance, shuts down for a week at Christmas, when, as the benefits department points out, "no one gets anything done anyway".

While American corporations may never offer as much time off as their European counterparts, US workers are demanding, and getting, more time away from work. If they want to compete for the best workers, US corporations need to respond.



Source: Hewitt Associates, 1994

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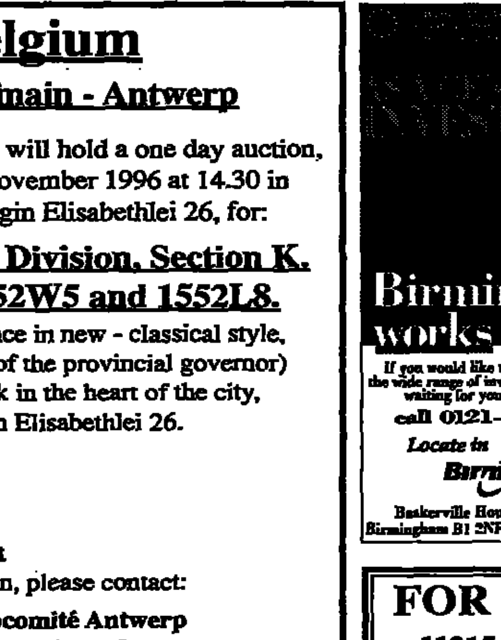

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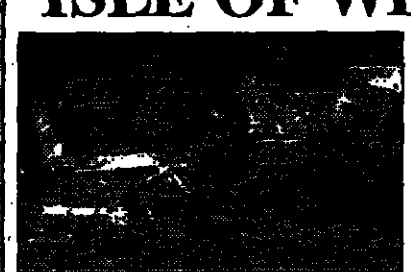

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Personalities who have confirmed their participation

European Commission — Latin America — France — Germany — Italy — Portugal — Spain — United Kingdom — Other personalities, institutions and media

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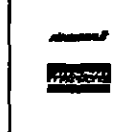

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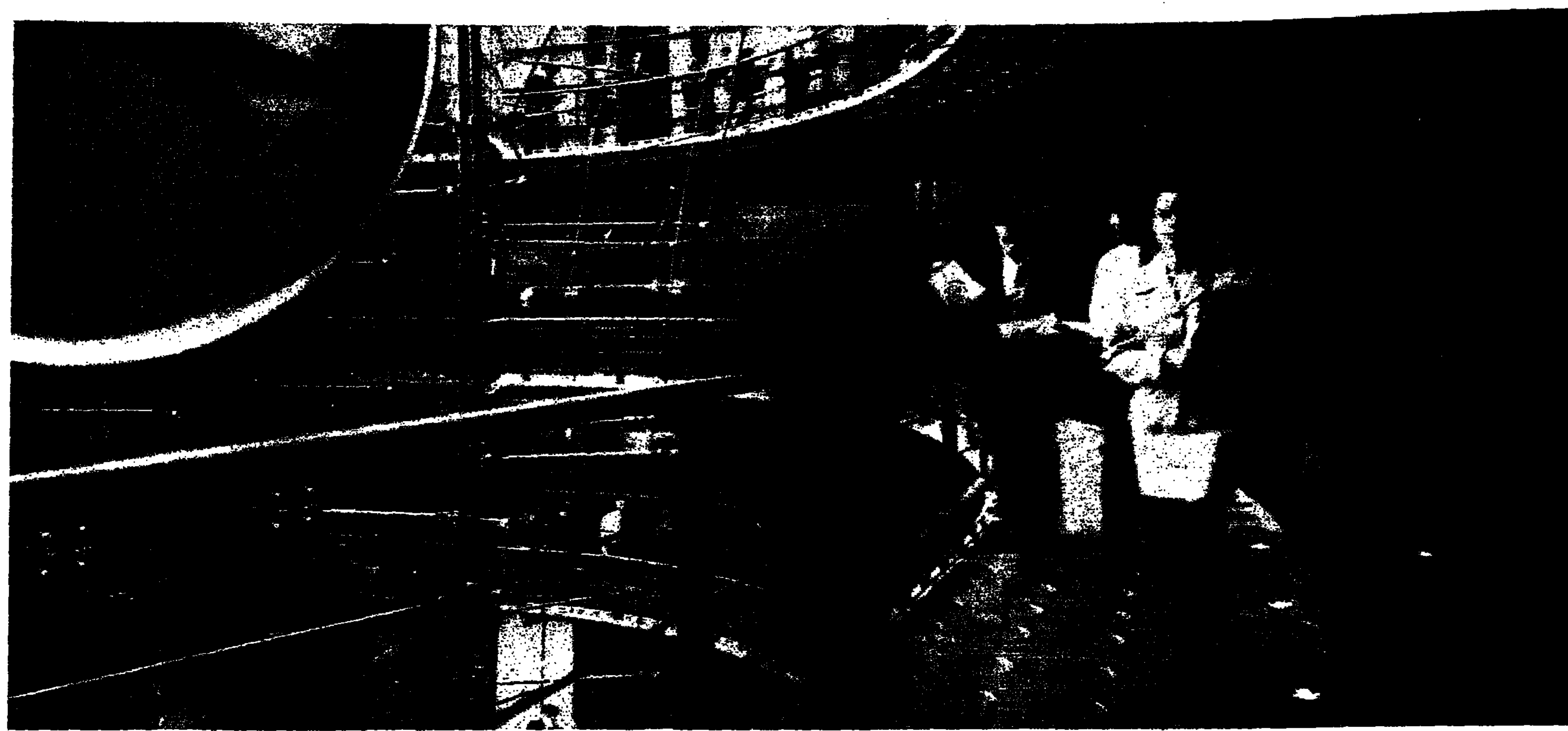

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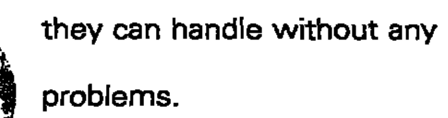

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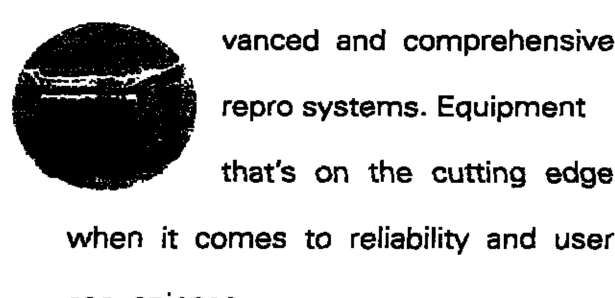

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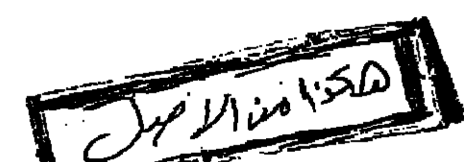

ARTS

Man behind the Mask

Garry Booth talks to film-score writer and jazz aficionado Colin Towns

Composer Colin Towns is not a household name but his music is heard by millions. One of the country's most prolific score writers for big and small screen, the Towns name will be seen on the credits of more than 40 productions between now and next March.

Last month he was adding the finishing touches to his score for *Ivanhoe*, the BBC1's flagship costume drama in the winter schedule. On the other side, the next five episodes of ITV's ratings hit *Brother Cadfael* are illuminated by his music, as is BBC2's dramatisation of Iain Banks novel *The Crow Road*.

Between TV and film work, Towns makes room for jazz and, specifically, writing for the Mask Orchestra, a self-financed *amour fou*.

So busy with TV work is Towns that he rarely has chance to read the original works he is scoring. "My assistant speed read *Ivanhoe* and then gave me a synopsis. I want to get on with the scribbling fast," he says.

The skill in writing a film score is to strike a balance between sounding "authentic" and relating the drama in the music to a 1990s audience. The hardest musical detail to solve is finding ironic music, to signify question marks, Towns finds. "Working with the director, you also have to know when no music is needed," he adds, explaining the art of "spotting" in final production.

Such sensitivities rarely entered into Towns' thinking during his previous incarnation – as writer and keyboardist for best selling heavy rock monster Gillan. Having joined ex-Deep Purple vocalist Ian Gillan for a US tour in 1974, Towns went on to write *Mr Universe* which, to his surprise, became a bestseller.

But the glitter of life on the road faded and by the early 1980s Towns was taking on a film jobs which enabled to work at home, alongside his family.

"I hadn't written for anything bigger than a small group before and in my first job the director wanted music for a 60-piece orchestra," Towns recalls. He pulled it off by hiring a "fixer" to arrange the musicians while he struggled through a "how-to" book on orchestration.

Now a succesful score writer, Towns says he is putting his money back into music. This year he has spent £80,000 on recording his Mask Orchestra, a big band featuring some of the UK's top soloists and Italian singer Maria Pia de Vito. The result, *Nowhere & Heaven*, is a double CD of mercurial improvisation set against liquid ensemble playing.

"I've tried to ignore people's preconceptions of how a jazz orchestra should behave," he says, "Jazz doesn't have to 'swing' and it doesn't have to have a lot of notes – spaces are just as good."

He admits to finding it hard to shrug off the influence of favourite orchestrators, such as Gil Evans, but says originality is more important than the tradition: "Jazz writing should have no rules. It is about throwing great musicians into a musical situation and seeing how they cope with it.

"I think of my music as jazz theatre and, to take it a step further, the next Mask project will be a song album. Hopefully, we'll go totally out to lunch on that one," he adds.

Nowhere & Heaven is out on Provocateur Records; the music from *Brother Cadfael* is out on EMI Records. The Mask Orchestra will be performing as part of the The Oris London Jazz Festival at the South Bank Centre on November 13.

Colin Towns: between TV and film work he writes jazz for his self-financed Mask Orchestra

Music

The young Charles Ives

For the past seven years in the US, the Bard music festival has enlivened summer's end for the residents of the Hudson Valley area, where Bard College has long represented a cultural focus. Here I should declare an interest, as I am a member of the Bard faculty; but because I spend my vacation periods in Europe, I have never attended a Bard festival. Fortunately, the festival has begun offering a kind of coda-sampling of its summer events at Lincoln Center. Thus, last week, I finally could discover what I had been missing.

Each Bard festival centres around one composer, often presenting him in unfamiliar and stimulating contexts. This year's protagonist was Charles Ives, and with three concerts in two days, New York audiences were treated not only to a wealth of music, but also to a pair of scholarly symposia featuring Ives experts and cogent introductory talks before each event.

The final concert, "Between the Bandstand and the Concert Hall: Ives and his Sources", concentrated on the world of the young Ives, the Yale student, inhabitant of a New England town, sharer in its events – the arrival of the circus, church picnics and Sunday services, Independence Day parades. The music of this narrow world is often quoted in Ives's works. In Alice Tully Hall, today's Yale Glee Club and the Yale Chamber Winds (i.e. the brass band) enthusiastically, sensitively sang college songs like "Bright College Years", "'Neath the Elms" and – arranged by the student Ives – "The Bells of Yale". In the same celebratory spirit, a piano, violin and flute trio played the jolly hornpipes and reels that Ives heard at barn-dances.

Coming after them, the haunted Piano Trio (1904-11), tensely and feelingly played by Mark Kaplan (violin), Robert Martin (cello) and Diane Walsh (piano), was not only moving in itself but also indicative of how Ives, in quoting a tune, is actually enacting the dramas of memory: the notes are haloed.

The chamber players of the American Symphony Orchestra under its conductor (and Bard's president) Leon Botstein gave glowing interpretations of Ives's Set for Theater Orchestra; they also accompanied a selection from Ives's dozens of songs, with the magisterial baritone William Sharp. Finally, the Yale band and the ASO joined forces in a rousing, very Ivesian "Here's to Good Old Yale".

Since Bernstein's crucial performances in the 1950s, Ives's music has established a place in the American repertory, but he is still far from being a household name and the Bard-organised Ives weekend was an illuminating contribution to New York's musical winter.

William Weaver

Theatre

A passage to nowhere

While London theatre was being enlivened by *My Night With Reg*, Kevin Elyot's astringent tragi-comedy about a group of gay men in the age of Aids, Broadway was toasting its Manhattan equivalent in Terrence McNally's Tony award winning *Love! Valour! Compassion!*

McNally had similar concerns close to his heart in his earlier play, *A Perfect Ganesh*, now receiving its British premiere at the West Yorkshire Playhouse, Leeds. Attitudes to sexuality and loss, the tensions between liking and loving, denial and self-acceptance are the controlling ideas, bound together dramatically by taking his characters on a literal and metaphorical journey.

Two middle-aged Americans temporarily abandon their husbands for a trip to India. Katherine Brynne (Eleanor Bron), outwardly open and up for adventure, is trying to escape the horror of her son's death at the hands of gay-bashers. Margaret Civil (Prunella Scales) lives up to her name, but only just. A pinched, bossy organiser in search of comfort and safety at all costs, Scales plays her in brisk, reproving tones, snapping out the tight-lipped put-downs. Yet she, too, is troubled and on a concealed spiritual quest.

Two suburban women are the ideal protagonists for a Broadway play, as conservative as their audience. It is a neat conceit, particularly when balanced by the play's potentially daring, serio-comic narrator. Ganesha, the golden Indian god (the lithe Paul Bhattacharjee) is "the queller of obstacles," with the power to change shape – he pops up in a vast array of disguises – but also to shape the women's fortunes.

Robin Don's huge, white, multi-level, set – all doors and sliding panels – is equal to McNally's numerous locations but has a peculiarly functional quality. Music and lighting do much to fill in the gaps but Jude Kelly's production is crying out for more atmosphere and, crucially, a far stronger sense of pace. She is not helped by the play's structure, which details every stage of their journey to numbing effect. McNally knows that self-realisation does not automatically lead to change, and that moments of epiphany have to be properly structured, but the laborious plotting makes you wish he had cut to the chase.

The impressively-relaxed Eleanor Bron never succumbs to over-statement as the emotionally-torn Katherine, her handsome figure radiating pleasure at the wonder of the country or contracting with grief at painful memories of her son (Tristan Sharps). Yet even she cannot make this rambling, 1990s take on *A Passage To India* reverberate with enough passion. McNally's coda shows his characters having reached some kind of joint catharsis. Would that this all-too-mild-mannered play offered that for the audience.

David Benedict

Paul Bhattachargee and Prunella Scales in Terrence McNally's 'A Perfect Ganesh' Douglas H. Jeffery

Autumn at the Glasgow Citz

The Citizens' autumn programme perhaps betrays a consciousness of the theatre's straitened financial circumstances, as it opts for familiar names if not works necessarily guaranteed to do business: Edward Albee's neglected 1974 play *Seascape*, *Long Day's Journey Into Night* (scarcely a work noted for its cheeriness), and a new adaptation of *Dracula* whose preview performance fell on Hallowe'en.

Seascape, in the Stalls Studio, is essentially a diversion for intellectuals of the therapied classes, in which ageing couple Nancy and Charlie reflect both on their own past and the human condition in general, partly driven by the sudden arrival on an otherwise deserted beach of Leslie and Sarah, who – to allow Albee to take a perspective similar to that of the "Martian" poets – are large, green, ocean-dwelling but conveniently articulated lizards.

A certain amount of not-especially rigorous armchair anthropology ensues, and we end moderately close to our starting point, but having been reassured of our essential goodness of spirit. Ellen Sheean's Nancy prattles on and Robert David MacDonald directs and plays Charlie with the same cool reserve.

Stewart Laing has set his Circle Studio production of *Long Day's Journey* in the present; this results in niggling if forgivable anachronisms, but also means that Laurence Rudich's declined paterfamilias James Tyrone seems altogether too prepossessing to fit the character's shoes. He looks less like a former stage idol than a cast member of *Hill Street Blues* a while back. He also seems a little younger than Mary as played by Pauline Moran, where the opposite should be the case.

The acting, however, is first rate; Tyrone is not so much a domestic tyrant as a monster of habit, and Moran invests Mary's drug-induced irrationality and cold-turkey paranoia with a grindingly impressive implausibility. Pascal Langdale's consumptive Edmund suffers more or less passively in the middle of his parent's travails, unassisted by a journeyman portrayal of elder brother James from Owen Gorman.

Jon Pope is entirely responsible for the main house *Dracula*, having adapted and designed as well as directed it, yet he has made considerable use of several inadvertent collaborators. He, too, has set the story in a kind of present day, albeit a gloomy, doomy present day such as one would find in an early David Cronenberg movie; however, as well as blending original material with Bram Stoker's story, Pope inserts bits and pieces from the film versions by Coppola, Murnau and Herzog, and even a eulogy to the Nosferatu as local dictator which may well have been lifted verbatim from a piece of rhetoric in praise of Hitler, Ceausescu or the like. The script is nothing if not eclectic.

In fact, it is precious little other than eclectic: engaging, comprehensible and watchable without laughing are some of the many things this show is not. Von Helsing (Bill McGuirk) is little more than a cipher who prompts Jonathan and Lucy Harker (Craig Scarborough and Norma McDevitt) as they recount their fragments of the tale. James Duke's Renfield is a macabre comedy turn, with Stephen Scott's Dr Feward scarcely far behind him. As the Nosferatu, Stuart Bowman spits like a mongoose whenever riled but is generally more like a post-Gothic boot-boy than a master of the undead.

Pope spends most of the time diligently eradicating any trace of romantic allure from Dracula, rendering Lucy's climactic encounter with him absurd; his efforts to concentrate upon the dark imbalance within mens' souls are at best fumbled, at worst bludgeoned into risibility. The best of the action in the Citz this month is in these studios.

Ian Shuttleworth

All shows run at the Citizens Theatre, Glasgow, until November 23 (0141-429 0022).

A twist on the Bard

In *The Herbal Bed*, Peter Whelan takes the few basic facts known about Susanna Hall, elder daughter of William Shakespeare, and conjures up a whole world and a knotty moral dilemma.

His starting point is the fact that in 1613 Susanna brought a charge of defamation against John Lane, who had publicly slandered her, claiming that she had gonorrhoea and had committed adultery with Rafe Smith, a local haberdasher. Adding to this the fact that Susanna was married to John Hall, respected physician and puritan, Whelan creates a play about relative and absolute truth, about morality, compromise and love. The result is absorbing, intelligent and funny. Warmly received on its Stratford premiere, the play now fits snugly into The Pit.

In Whelan's version of events, there is some truth in Lane's wild accusations. Susanna and Rafe are attracted to one another, although they never quite consummate their feelings. And the truth is complex; Whelan stacks up a whole raft of conflicting motives. For a start, Jack Lane is Hall's ex-apprentice, bitter at Hall's treatment of him; Rafe Smith is a perplexed individual, starved of love since the death of his children and his wife's resultant depression; John Hall is an honourable but austere man, who puts his practice before his wife; Susanna is an intelligent, passionate woman taken unaware by her own desires.

So, in Shakespearean style, Whelan pitches one truth against another, lines up Susanna's belief in a forgiving God against her husband's tougher moral stance and examines the price they both pay for peace.

Michael Attenborough's thoughtful production deftly traces the play's journey from summery to wintry mood. Performances are immensely attractive. Teresa Banham is excellent as Susanna, a warm, wise woman, and Liam Cunningham maintains great dignity as John Hall while never leaving you in doubt of the personal cost of his commitment. David Tennant is delightfully lewd as Jack Lane, yet managing to portray the fear beneath the bravado. Lovely performances too from Jo McInnes as the loyal servant, Raymond Bowers as the cosy old bishop and Stephen Boxer as the frosty Vicar-General. Joseph Fiennes, meanwhile, stirs compassion for the gentle troubled Rafe, although he twitches and mumbles so much that you begin to wonder how Susanna might find him attractive.

There are some strange anachronisms in the play, and some toe-curling writing in the love scenes. And what is most ironic is that in Susanna's father's hands it would have become a truly great play. But, intelligent and interesting, it is never less than enjoyable and finishes with a delightful twist: Shakespeare is just about to make his entrance when the play ends – a playful touch that the Bard himself would surely have applauded.

Sarah Hemming

Continues in rep at The Pit, Barbican Centre, London, EC2 (0171-638 8891).

INTERNATIONAL ARTS GUIDE

■ BERLIN

CONCERT
Philharmonie & Kammermusiksaal Tel: 49-30-2614383
● Requiem: by Verdi. Conducted by Uwe Gronostay, performed by the Berliner Symphoniker and the Philharmonischer Chor Berlin. Soloists include Olga Romanko, Yvonne Naef, Keith Ikaia-Purdy and Peter Lika; 8pm; Nov 11

■ COLOGNE

CONCERT
Kölner Philharmonie Tel: 49-221-2040820
● Gewandhausorchester Leipzig: with conductor Kurt Masur and pianist Emanuel Ax perform Henze's Tristan, Symphony No.7 and other works; 8pm; Nov 10

■ COPENHAGEN

CONCERT
Det Kongelige Teater Tel: 45-33 69 69 69
● Royal Danish Chamber Orchestra: with conductor Jean-Pierre Wallez perform works by Nielsen, Lekeu, Debussy and Bartók; 3pm; Nov 10

■ DUBLIN

CONCERT
National Concert Hall – Ceoláras Náisiúnta Tel: 353-1-6711888
● Tasmin Little and Martin Roscoe: the violinist and pianist perform works by Ravel, Brahms and Elgar; 8pm; Nov 9

■ DUSSELDORF

CONCERT
Tonhalle Düsseldorf Tel: 49-211-8992081
● Coyotte III: programme on the occasion of the 10th anniversary of the death of Joseph Beuys, featuring the video projection of the "Coyote III" concert in Tokyo in 1984, a project by Beuys and Nam June Paik. Following the showing of the video, pianist Takehisa Kosugi and the Ensemble Modern perform works by John Cage; 8pm; Nov 10

OPERA
Opernhaus Düsseldorf Tel: 49-211-89080
● Don Giovanni: by Mozart. Conducted by Zoltán Peskó and performed by the Deutsche Oper am Rhein. Soloists include Damiani, Ragatzu, Galante and Broitmann; 7.30pm; Nov 9

■ EDINBURGH

CONCERT
The Queen's Hall Tel: 44-131-6683456
● Scottish Chamber Orchestra: with conductor Joseph Swensen, and violinist James Clark perform works by Sibelius and Haydn; 7.45pm; Nov 9

■ LONDON

CONCERT
Barbican Hall Tel: 44-171-6384141
● London Philharmonic: with conductor Barry Wordsworth and pianist Paul Lewis perform Tchaikovsky's Fantasy Overture (Romeo and Juliet), Piano Concerto No.1 and Symphony No.5 in E minor; 8pm; Nov 9
Wigmore Hall Tel: 44-171-9352141
● Garry Magee: recital by the baritone, accompanied by pianist Iain Burnside. The programme includes works by Butterworth, Donizetti and Hahn; 4pm; Nov 10

JAZZ & BLUES
Purcell Room Tel: 44-171-9604242
● Alison Bentley, Penny Tobin, Steve Waterman and Martin Speake: the vocalists, trumpeter and saxophonist perform jazz songs; 8pm; Nov 9
Royal Festival Hall Tel: 44-171-9604242
● A Tribute to Miles Davis & Gil Evans: featuring the London Sinfonietta with conductor Markus Stenz, and trumpeters Randy Brecket and Guy Barker; 7.30pm; Nov 10

■ LUBECK

CONCERT
Musik- und Kongresshalle Tel: 49-451-7904115
● NDR-Sinfonieorchester: with conductor Semyon Bychkov and pianist Alfred Brendel perform works by R. Schumann and Shostakovich; 7.30pm; Nov 10

■ NEW YORK

CONCERT
Alice Tully Hall Tel: 1-212-875-5030
● Richard Kastle: the pianist performs works by Chopin, Kastle, Beethoven and Liszt; 8pm; Nov 8
● Yefim Bronfman: the pianist performs works by Prokofiev and R. Schumann; 2pm; Nov 10
Carnegie Hall Tel: 1-212-247-7800
● La Damnation de Faust: by Berlioz. Concert performance, conducted by James Levine and performed by the MET Orchestra and the Metropolitan Opera Chorus. Soloists include mezzo-soprano Anne Sofie von Otter, tenor Giuseppe Sabbatini and bass-baritone José van Dam; 3pm; Nov 10

THEATRE
Vivian Beaumont Theater Tel: 1-212-239-6200
● It's a Slippery Slope: a monologue written and performed by Spalding Gray; 7.30pm; Nov 11

■ PARIS

CONCERT
Théâtre des Champs-Elysées Tel: 33-1 49 52 50 50
● François-René Duchâble: the pianist performs works by Beethoven, Chopin and Liszt; 8.30pm; Nov 12

EXHIBITION
Musée d'Art Moderne de la Ville de Paris Tel: 33-1 53 67 40 00
● Georg Baselitz: retrospective exhibition of works by the German artist Georg Baselitz. The chronologically organized exhibition features 80 paintings, sculptures, and a selection of prints from the period 1965-1996; to Jan 5

■ SALZBURG

EXHIBITION
Rupertinum – Salzburger Landessammlungen Tel: 43-662-80422336
● Karl Schmidt-Rottluff: exhibition of 100 ink drawings by the German artist Karl Schmidt-Rottluff (1884-1976); to Dec 1

■ VALENCIA

CONCERT
Palau de la Música i Congressos Tel: 34-6-3375020
● Thomas Hampson: recital by the baritone, accompanied by pianist Wolfram Rieger. The programme includes works by Loewe, Zemlinsky, Schoenberg, Lloyd Webber, G. Mahler and A. Mahler; 7.15pm; Nov 11

EXHIBITION
IVAM Centre Julio Gonzalez Tel: 34-6-3863000
● Erik Satie: this exhibition presents a selection of documents concerning Erik Satie, part of his artistic output, and works by Picasso, Braque, Picabia and other avant-garde artists connected with the composer, whose "Parade" was presented in Barcelona in 1917, bringing him great renown as a member of the avant-garde. The exhibition covers an extensive historical range, progressing from Symbolism to Dada; to Nov 10

■ VIENNA

OPERA
Wiener Staatsoper Tel: 43-1-514442960
● Stiffelio: by Verdi. Conducted by Fabio Luisi, performed by the Wiener Staatsoper. Soloists include José Carreras, Mara Zampieri and Marjorie Vance; 7pm; Nov 10

■ WASHINGTON

CONCERT
Concert Hall Tel: 1-202-467 4600
● 1100th Anniversary Celebration of Hungary: the National Symphony Orchestra with conductor Leonard Slatkin, cellist Janos Starker, soprano Eva Marton, the Paramount Brass and the Bartók Quartet perform works by Bartók, Berlioz, Puccini, Verdi and Liszt; 7pm; Nov 12

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Financial Times Business Tonight

Philip Stephens

Wounds of history

The Braveheart and Michael Collins films show how England needs to learn from its neighbours

First Braveheart. Now Michael Collins. In England's oppression of its Celtic neighbours, Hollywood has chanced upon a rich cinematic vein. The English make convincing, and money-spinning, villains. But these gory celluloid adventures touch raw political nerves. The protagonists have still to exorcise the demons of history.

Braveheart, you will recall, was the actor-director Mel Gibson's epic account of Scotland's 13th century fight for independence from the occupying English. Released last year, it won a clutch of Oscars and has earned many tens of millions of dollars at the box office. Its hero is William Wallace, the Highland warrior who took up arms against England's Edward I.

Defeated eventually on the battlefield, Wallace was taken to London for ritual humiliation and execution. England's brutal honour was satified only when he had been hung, drawn, quartered and beheaded. Mr Gibson's film played in Scotland to packed audiences, stirring anew some of the embers of that country's nationalism. The more paranoid among England's unionists were aghast.

Michael Collins, though, strikes much closer to home. If its relationship with Scotland sometimes feels uneasy, England is still fighting a war against Irish republicanism. And the hero of this film is the man who led Ireland's fight for statehood more than 70 years ago. Michael Collins masterminded the ruthless and bloody IRA campaign which in 1921 finally broke the hold of British empire. More than any other he was the architect of the Irish Free State, the precursor of the modern Republic.

The work of the accomplished (Irish) director Neil Jordan, the film opened this week on both sides of the Irish sea. It picked up two awards during its premiere at this summer's Venice Film Festival. In the Republic it seems certain to break all box office records. In England and Northern Ireland, previews have already stirred deep hostility among a certain class of politician and commentator.

Doubtless many in England will find it uncomfortable to be reminded of the viciousness with which their forbears battled to maintain dominion. The Black and Tans, aptly described as the criminal dregs of the soldiery which had fought the Germans in the trenches of the first world war, replied to the republican uprising with indiscriminate viciousness.

Others are worried by the American financing of the film. There has always been a tendency on that side of the Atlantic to romanticise today's IRA terrorists as direct descendants of the independence fighters. President Bill Clinton's White House is seen by Ulster unionists as a dangerous ally of Sinn Féin/IRA. And there is a danger that audiences in the US will confuse Collins's cause with that of Gerry Adams.

Thus the staunchly unionist London Daily Telegraph has demanded that the distributors, Warner Brothers, withdraw the film from circulation. Alleging numerous historical inaccuracies and a glorification of "righteous violence", the newspaper warned it could inflame sectarian tensions in Northern Ireland. Unionist politicians in the province have been blunter still, claiming Mr Jordan's version of events will offer succour to the hawks in the IRA who want to escalate their terrorist campaign.

> These gory celluloid adventures touch raw political nerves – and the protagonists have still to exorcise the demons of history

As I have yet to see the film, I will not comment on the historical veracity of particular episodes. Mr Jordan, though, has acknowledged the use of artistic licence in his portrayal of Collins's leadership of the Irish uprising. He appears to have admitted also that one scene, in which a Belfast policeman is blown up by an IRA car bomb, comes perilously close to a metaphor for the present violence. And all such epics provoke a wider concern. Freedom-fighters, terrorists, call them what you will, invariably look better in sepia tints.

It seems, though, a curious confusion to see a lineal descent from Collins to the self-styled IRA "volunteers" who now plant bombs in England's city centres. From 1916 to 1921, Collins was indeed a Republican hero. His gruesome talent in identifying and destroying the enemy's intelligence network – British agents were systematically murdered in their beds – was decisive in the success of the IRA's campaign.

But Collins then negotiated the peace with Lloyd George which led to Irish partition. As he signed the Anglo-Irish treaty, he remarked he was also signing his own death warrant. And he was. The treaty was followed by civil war. In 1922, at the age of 31, he was murdered by rebel forces loyal to Eamon De Valera. In Republican folklore, the hero had turned traitor.

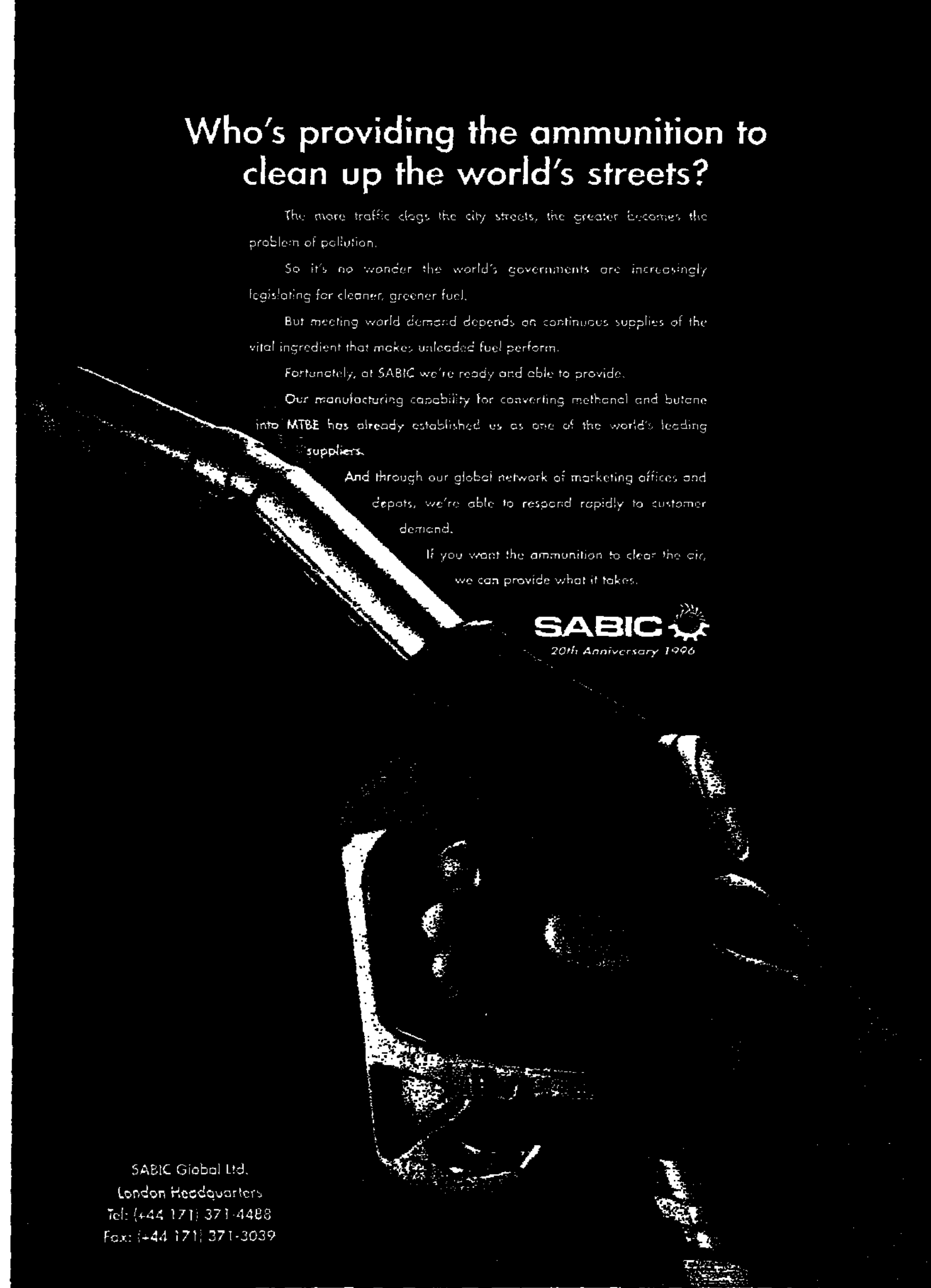
The war was eventually won by the forces of the Free State. But De Valera's fortunes returned and he went on to lead the Dublin government continuously from 1932 and 1948. It was his 1937 constitution for the new Republic, giving special place to the Roman Catholic church, which guaranteed partition would endure. But until his death in 1975, De Valera claimed the mantle of Ireland's founding father. For two generations of Irish schoolchildren, Collins was a footnote.

The parallel with Mr Adams therefore can be drawn only if and when the Sinn Féin president shows the courage to choose peace over violence. For all his odiousness, the signs are that Mr Adams does want another ceasefire. But he must also accept, like Collins, that the people of Northern Ireland cannot be coerced into the Irish state.

There is more important confusion in the elisions between past and present which have fuelled the debates about Braveheart and Michael Collins. Though seven centuries divide them, the two films are rooted in the assumption that national identity and territorial boundaries are indivisible. In their different ways, both Scotland and the Irish Republic have proved otherwise.

Scotland wants more room to breathe within the United Kingdom, but it no longer wants to fight a war with England. It has rebuilt its national self-confidence on the foundations of cultural and economic success.

Ireland has rediscovered its Irishness in Europe. The Republic no longer defines itself in terms of its relationship with England. An active role in the European Union has finally given it the independence for which Collins fought. England now needs to learn from its neighbours. It should no longer fear the blemishes of its past.



T H E   P O W E R   T O   P R O V I D E

LETTERS TO THE EDITOR

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Pensions fears stoked by deliberate disinformation

YOU HAVE NO PROOF THAT WE'LL BE PAYING THEIR PENSIONS, EDGAR

From Lord Howe of Aberavon and others.

Sir, The idea that, inside a European monetary union, the UK would end up paying, through higher interest rates, for the state pensions' costs of other EU states is both sensationalist and misleading.

The British prime minister, John Major, recently said that there was "massive misunderstanding" of the Emu pensions issue, with "no prospect of the UK picking up other people's pensions bill". He might have added that there was a good measure of deliberate disinformation on the subject too. There is no more likelihood of British citizens paying for continental Europe's pensions than for German schools or French nuclear weapons.

Inside Emu, there is simply no procedure or obligation for liabilities of any kind to be shared among states. Public sector debt will remain the responsibility of the member state which issues it. The "no bail out" provision of the *Maastricht* treaty ensures this. Equally, the prohibition on monetary financing of budget deficits prevents countries inflating their way out of debt.

Moreover, the Maastricht treaty specifically limits government deficits to 3 per cent, and national debt to 60 per cent, of countries' individual gross domestic products. Existing sanctions, fortifying the proposed "stability pact", will hold governments to this discipline. They will be committed to action to ease future pensions costs, by obligation and economic sense alike.

If a country in Emu has big pensions costs coming up, it must respond in one or more of six ways:

1. encourage greater private pension provision ("funded" pensions);
2. cap the real value of state pensions ("unfunded" pensions);
3. increase mandatory contributory fees;
4. raise the retirement age;
5. increase taxes; or
6. cut public spending on other items.

Already, other European governments are beginning to follow the British lead. We acted on points (1) and (2) above (and prospectively on (4) for women) some time ago, and have substantially reduced our future pensions burden. Today, the French, Germans, Italians and Dutch are taking measures in different ways to promote private pensions or reduce benefits or raise the retirement age. Further action will certainly be required.

It is worth noting that the likely Emu core countries already have long-term real interest rates substantially below UK rates. This is interesting, as their future pension liabilities have been well known in the markets for some time. Their long-term rates already reflect, among other things, the discounted value of their respective liabilities – whether pensions commitments or the decommissioning of nuclear power stations – as well as such future assets as they may enjoy.

That rates are lower in the core countries than in the UK suggests that, in the eyes of the markets, other factors outweigh the unfunded pensions issue. Equally it suggests that interest rates might well fall, not rise, if the UK entered Emu – as the advocates of a single currency have long argued.

The Emu currency debate merits a more sensible discussion than many UK newspapers, with their own Eurosceptic agendas, seem anxious to promote. The Financial Times has consistently stood out as a forum for intelligent debate. We are happy to contribute to it.

Lord Howe of Aberavon,
Lord Barnett,
Lord Jenkin of Roding,
Lord Kingsdown,
Lord Taverne,
House of Lords,
London SW1A 0PW, UK

From Mr S.J. Green.

Sir, May an economic illiterate attempt a reply to Professor Buiter (Letters, November 6). Those who devised Maastricht realised that, in order for a single currency to succeed, certain conditions were necessary. Of these, perhaps the most important was the convergence of the underlying economies. In order to be sure of achieving this they laid down certain criteria. One of these, and that which seems to be exercising the minds of all those who hope to be participants in the single currency, is the condition that the budget deficits should be below 3 per cent of gross domestic product or, with the usual EU fudging, as close to 3 per cent as possible and falling.

According to calculations recently published by the International Monetary Fund, the annual cost of unfunded pensions promises are equivalent to 3.4 per cent of GDP for both Germany and France as compared to 0.1 per cent for the UK. No amount of fudging can wash away these pensions promises and so the EU chooses to overlook them and pretends either that they do not exist or that they will not be kept. In this way they can be ignored and the pretence maintained that the German and French budget deficits are converging towards 3 per cent, whereas in truth they are both nearer 7 per cent and rising compared to the UK's equivalent deficit of below 4 per cent and falling.

Professor Buiter may believe that the governments of Germany, France and Italy will renege on their pension promises. However, if they do not, they will be obliged either to raise taxes and cut current expenditure by significantly more drastic amounts than those which have been suggested hitherto or to devalue the promises by reverting to inflation. For this reason it is likely that, contrary to his perception, an autonomous sterling can and will prove to be a far stronger currency than the euro. He need only look to Switzerland to find a currency whose real interest rate is largely insulated from the interest rates of the rest of Europe.

As to his assertion that an independent European central bank would never be blackmailed into permitting monetisation of the pension deficits, he has only to look back to when the "independent" Bundesbank acquiesced to the ruinous political decision to offer one D-Mark for each Ostmark.

The European pension deficits do pose an extremely serious problem, and no solution has, yet, been propounded which will stand up to actuarial examination.

S.J. Green,
261 Sheen Lane,
London SW14 8RN, UK

From Mr Stephen J. Davies.

Sir, Professor Buiter has, I believe, long argued that the fiscal convergence criteria in the Maastricht treaty are unnecessary and damaging. The views he now expresses on the significance of unfunded pensions are entirely *consistent* with his view on the convergence criteria.

However, those who favour the application of the fiscal convergence criteria are not in such an easy position. They have to explain why budgets have to be slashed across Europe and hundreds of thousands of people put out of work so that one group of government liabilities – those measured in the conventional totals of public debt – can be brought down to a particular target level, while another class of government liabilities – those related to pension entitlements – are to be ignored altogether in assessing candidates for the single currency.

I am sure I have often heard economists such as Professor Buiter argue that published figures for public debt and deficits are potentially misleading and that policy needs to be based on more meaningful measures of the public finances. For that reason I would have thought that the Commons social security committee's report on unfunded pension liabilities deserved a wholehearted welcome.

Stephen J. Davies,
economic research executive,
Institute of Directors,
116 Pall Mall,
London SW1Y 5ED, UK

Pensions view ignores politics

From Mr Frank Field MP and others.

Sir, Willem H. Buiter (Letters, November 6) seems to illustrate that a little knowledge is a dangerous thing. Had he been able to read the report before sounding off he would have realised that the Social Security Select Committee was well aware of Clause 104b which allegedly prevents other than EU debts being explicitly shared.

The report dealt with the other mechanisms which are open to member countries to share the costs of unfunded public pensions. Professor Buiter takes no account of the politics of the European Union. There has already been civil unrest on the streets to prevent welfare cuts. Governments unable to raise taxes will borrow. Hence the worry the select committee had on interest rate levels and how that will impact on the British economy. Similarly, any communication with the German Central Bank shows how concerned it is in allowing other central bankers' votes over the security of the currency. Hence the select committee's worry about pressures on member governments to agree to print their way out of debt difficulties.

The select committee report is therefore an analysis of economic and political forces which will influence how unfunded public pension debts are met. For Prof Buiter to claim this is politically naive and economically illiterate when it is clear that he has not read the report does not bode well for how his students are taught. Clearly the quality of teaching is not only an issue which concerns the newer universities.

Frank Field,
Stephen Day,
David Faber,
Clifford Forsythe,
Kate Hoey,
Alan Howarth,
Robert G. Hughes,
Bernard Jenkin,
Edward Leigh,
David Shaw,
House of Commons,
London SW1A 0AA, UK

Regulatory weakness

From Professor Sol Picciotto.

Sir, Your editorial "BT becomes a global giant" (November 4) on the BT-MCI mega-merger rightly points to some of its implications for global competition. You suggest that strong regulatory action should ensure that the merger increases competition globally, and specifically that "as Concert gains market share in the US, France and Germany, it must accept that it will cede ground in the UK".

But what global regulator is there to ensure this? Existing co-operative arrangements between national competition authorities are limited to notification and consultation, and aimed at ensuring that action by one does not harm the interests – i.e. the industrial policies – of another. The proposals, which have been urged by Sir Leon Brittan to include competition issues within the ambit of the World Trade Organisation, would also essentially provide a right of complaint by a state if it considered that regulatory action by another would harm its trading interests.

Even these proposals seem to be making no progress. No national authority, not even the EC, is in a position to make its approval of the merger subject to the sort of condition you suggest. If such a condition were to be internationally agreed, either explicitly or implicitly, it would have to be at a political level (perhaps through the G7) rather than in discussions between competition authorities. This might be justified by the size and important implications of this particular merger, but it is hardly an adequate procedural solution for the growing number of transnational mergers.

Sol Picciotto,
department of law,
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Lancaster LA1 4YN, UK

What to do with Homer

From Mr David J. Critchley.

Does it matter if you study Homer or homeopathy ("Homer, homeopathy – and Mengele", November 2/3)? If what matters most is flair, flexibility, improvisation and reinvention, then the answer has got to be Homer, whose *Odyssey* famously begins: "Tell me the story of a versatile man, who travelled far ... saw the cities of many men and learnt their way of thinking."

Improving one's morals is rather different. *Plato*, equally famously, would have banned Homer, on the grounds that Homer's deceitful, quick-thinking hero corrupted the youth.

The real question is, do we ban Homer or make him compulsory?

David J. Critchley,
46 Station Road,
Winslow,
Buckingham MK18 3EH, UK

Yet another president

From Mr Ian Robins.

Sir, In your editorial "Second term, warts and all" (November 5) you write that "it is still probable that by tomorrow Mr Bill Clinton will be the fifth and last American this century to have won two presidential elections".

Not probable at all, but impossible. If elected, he will be the sixth. You have forgotten to count Woodrow Wilson, who also has, perhaps, a better claim than Mr Reagan to membership of the pantheon of "great" presidents.

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Friday November 8 1996

Politique d'abord

After the painful experiences of Somalia and Bosnia, one would have hoped the lesson had been learnt. But no. Once again, this time in eastern Zaire, the international community is blundering towards a commitment of troops to deal with an immediate humanitarian emergency, with no clear political objective and little thought of the strategic implications.

The illusion persists that troops can be used to relieve suffering in the midst of war without intervening in that war or influencing the outcome. Soldiers are asked to protect convoys, to establish "safe havens" or to police "humanitarian corridors". The crucial issue of consent is fudged.

If there is genuine consent from all parties to the conflict, armed men may have a useful role to play as neutral peacekeepers. But where consent is lacking and battle still rages, the protection of civilians implies willingness to fight those by whom they are threatened. Troops with such a mission must either be prepared to disarm all parties, by force if necessary, or to take sides with some and against others. Either way their presence, and their actions, will affect the fortunes of war. They must have a strategic objective or they will quickly become bogged down in a conflict they cannot control.

In the case of Zaire the objective would have to include the preservation, or rather restoration, of that country's territorial integrity, which means insisting on the withdrawal of Rwandan forces. But the intervening force would also have to ensure that Zaire did not invade Rwanda or (as in the past) allow Hutu guerrillas to infiltrate it. Neither aim would be durably achieved unless the force could ensure the peaceful repatriation of most of the Hutu refugees to Rwanda, after weeding out the leading war criminals from among them. These are mammoth tasks, and there is no sign that any of the powers now preparing to send troops has thought them through or is equipped to carry them out.

The situation is further complicated by the fact that the powers most capable of intervening are identified, rightly or wrongly, with the interests of different African states and ethnic groups. Tutsis and the Zairean opposition blame France for backing President Mobutu and the former regime in Rwanda, while Hutus and even some French policymakers see the Tutsis as protégés of "Anglo-Saxon" powers (the US, UK and South Africa).

At their meeting today the French president and British prime minister, rising above such colonial suspicions, should resolve to act jointly and with clarity of purpose, or not at all.

Brave new sky

The prospect that Big Brother Rupert Murdoch could monopolise UK television viewing when his BSkyB beams 100 or more digital channels from the heavens is unappealing.

The company will soon be placing orders for the set-top boxes which, it is said, allow him to control the gateway to this new technology. The box will do two jobs. It converts a digital signal into sound and pictures; more important, it filters in only the programmes for which the subscriber has paid.

By combining both functions into one box, Mr Murdoch's rivals claim that he could frustrate their ability to compete on fair terms. Although other broadcasters could make their own converters, BSkyB will gain a very big advantage by being first in the field. Consumers will be unlikely to want to clutter their living rooms with a pile of different boxes at perhaps £500 each. Mr Murdoch has consolidated his advantage by signing up the exclusive rights to broadcast many big sporting events and films.

Clearly there is a danger that a digital TV provider in such a dominant position could abuse its power. The EU has recognised this in a directive which requires that competitors should be given fair and open access to the technology. The question is, precisely how? The directive rejects the idea that the dominant provider should be required to opt for a box with a "common interface" into which any competitor could plug its own filtering and receiving modules. Although this would make competitors independent of the Murdoch system, it would be comparatively expensive and cumbersome.

A second option would be to allow BSkyB to use its own box, but require it to divulge the secrets of the "smart card", which the user pushes into a slot to make it work. This would allow competitors to make their own cards, which would "tune" the box to their own service and exclude those beamed down by rivals.

Although the use of multiple cards would promote competition, it would be technically less attractive than a system using a single proprietary card, but which guaranteed non-discriminatory access. This last is the option which seems likely to be favoured by the government in forthcoming legislation.

This would be the simplest and cheapest solution, provided BSkyB did not abuse its power. To prevent this, Oftel, the industry's regulator, must at a minimum be given power to require BSkyB to disgorge its smart card technology if need be. Even with that sanction, the regulator will need to keep his eyes peeled.

Premature step

Yesterday's announcement that the UK government is to spend £100m extending Project Work pilots to cater for 100,000 of the long-term unemployed from the new year marks a watershed: the biggest step down the road to American-style "workfare" since the modern welfare state was founded.

In many ways, it is a welcome move. But it is right also to feel uneasy. The basic idea is welcome because it is simply unfair to leave people unemployed for two years and more, and do nothing to help them reconnect to the world of work. It is welcome because the scheme is time-limited. It pays not just benefit, but benefit-plus: an extra £10 a week for the work experience part of the programme. And the original pilots – in Medway, Maidstone and Hull – were also welcome because they are to be properly and independently evaluated.

And it is here the uneasiness creeps in. For the new round of "pilots" has been adopted long before any evidence of the programme's real effectiveness is available.

Project Work takes six months – 13 weeks of job-search followed by 13 weeks of work experience. But it was launched only in April. Only now are the first entrants completing their course. How many will find work, how long that work will last, what it will pay, and whether the work experience is displacing "real" jobs are all questions to which the government has no answer. It has no idea whether the programme is either effective or, equally important, cost-effective – and it will not have until the preliminary results of research become available next year and the full results in 1998.

What is known – and it is crystal clear that this is the main reason for the sudden extension of the scheme – is that the early pilots have had a dramatic effect on the numbers claiming benefit. Faced with the prospect of work, many cease to claim: the presumption being that they are operating in the black economy and claiming fraudulently.

Tackling fraud is a good reason for introducing workfare-style programmes. But it is not alone a sufficient one. If Project Work is to be extended, it needs to demonstrate that it genuinely and cost-effectively assists the honest unemployed as well as acting as an extremely expensive tool for fraud deterrence.

It needs to offer relevant skills, a point the government has begun to acknowledge by introducing more literacy and numeracy into some of the new pilots. But the very fact that ministers yesterday could not say in how many areas that will happen or to what degree shows how over-hasty the decision to extend the scheme has been.

The point of pilots is to prove things work. And that the government has yet to do.

Oil giant in troubled waters

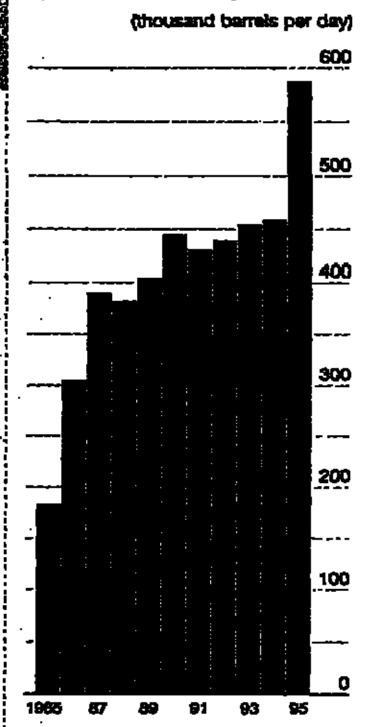
Stephen Fidler on how BP has been attacked over alleged human rights abuses and its environmental record in Colombia

In the race to secure oil reserves for the next century, British Petroleum has pinned enormous hopes on its venture in Colombia, which promises to be the biggest in the Americas since Alaska was opened up in the 1970s.

Instead, the UK oil giant's operations there have turned into a public relations nightmare. They have become the focus for accusations over complicity in human rights abuses and the company's environmental record in the country.

BP vehemently denies the accusations and says it has gone to great lengths to maintain high standards of business ethics in its Colombian operations. But the animated debate over the project is rapidly providing an object lesson on the issues natural resource companies will increasingly face as poor countries open up mining and oil exploration to foreign investment.

The controversy has arisen over BP's activities in Colombia's department of Casanare in the foothills of the northern Andes. There, the Cusiana and Cupiagua oilfields have reserves estimated at 2bn barrels, with half as much again thought to lie in the nearby Piedemonte field. The fields are expected to produce 1m barrels of oil a day for export once they are fully exploited.



Casanare is a late 20th century version of the Wild West – and its oil development the equivalent of the California gold rush. The government in Bogotá has never had much influence in the area, in which cattle ranching was the main economic activity.

The development programme of oil companies such as BP, with $3bn (£1.8bn) invested, Occidental of the US and Total of France has brought an economic growth rate twice the national average to one of the country's poorer regions. Casanare is entitled to a share of the revenues from the oil produced.

The Colombian government is keen to draw on the expertise and the latest technology of foreign oil companies after earlier attempts to extract the oil were defeated by the complex geology.

But the arrival of the oil companies has brought problems to Casanare. They include prostitution, increased levels of violence as guerrillas have moved in and other problems associated with large-scale oil development such as conflicts between local and migrant people.

It is problems such as these that led to charges in the European Parliament in Strasbourg last month made by Mr Richard Howitt, a Labour party MEP who had just returned with a European delegation from Colombia. He compared BP's alleged behaviour with "Shell's inhuman exploitation of the Ogoni peoples in Nigeria".

He said local BP officials had admitted "weekly oil spills, water contamination, chemical overflows, illegal sites and the invasion of protected forest". Eyewitnesses had described to him "fish floating dead in polluted rivers and livestock blinded from grazing in poisoned fields".

More damagingly, he accused European oil companies – he also named Total – of acquiescing in "massive human rights violations" by the Colombian armed forces. And he described alleged payments made by BP and other oil companies to the military – over and above a 7 per cent war tax paid to the government – as "blood money".

To support his accusations, he cited what he called an official Colombian government report compiled in July last year. In it, a colonel described how valuable the army found the security systems of oil companies and how videotapes recorded by them at community meetings were used by military intelligence.

BP was livid. Mr John Browne, chief executive, described the allegations as "groundless and without substance". The company had made a huge effort to comply with strict environmental standards and BP condemned human rights violations wherever they occurred. Mr Howitt had not visited the region on his trip to Colombia, the company said.

The only videotapes taken of public meetings – at which the army was usually present anyway – were in case the Ministry of the Environment needed proof that environmental consultations were taking place. The ministry had never asked to see them, and they had never been given to the military.

Privately, BP officials said they had fallen victim to a campaign of disinformation and exaggeration which had left them in the impossible position of trying to disprove a negative.

The Colombian government has also defended BP. It said the report cited by Mr Howitt – which was not an official government report – made uninvestigated assertions that "may be based on speculation or biased information". Neither did the report accuse BP of organising or funding paramilitary groups, as has also been alleged.

BP works closely with the army brigade operating in the region, says Mr Phil Mead, BP's associate president in Casanare. "We meet the 16th brigade regularly to advise them about our business movements, moving rigs and so on. Even though it's a large force, there aren't enough resources to protect everything at once."

Oil companies are prime targets for Colombia's left-wing guerrilla groups, suffering an estimated 200 attacks in the past year. "The guerrilla threat against oil companies is very high, and it is not clear what the alternative is to having the army defend the installations," says Mr David Battman, head of research at the London security consultancy Control Risks, who closely follows Colombian issues.

"BP could hardly set up a private security force with 2,000

> BP says it is victim of a campaign of disinformation which leaves it in the impossible position of trying to disprove a negative

security guards and arm them. The government wouldn't tolerate such a private army."

BP says it has no intention of bypassing the government. "We have to be careful not to preempt the role of central government," says Mr Browne. "We're not competent to do so nor do we desire to ... I don't want to run the Republic of BP."

Neither is there any evidence to link BP or any other oil company with any abuse of human rights. Colombia certainly has its share of problems: led by a president who is accused of and denies soliciting drug contributions in his 1994 election campaign, it is fighting a civil war against the guerrillas in which thousands of people are killed every year. In this war, which has intensified since BP first started exploration in the late 1980s, the military has developed a notorious reputation for the abuse of human rights.

Casanare is not immune to such problems: there were 200 murders in 1995 – many of them thought to be by illegal paramilitary groups probably linked to the army which have emerged to counter the guerrilla groups. But human rights organisations say abuses are significantly more common elsewhere in Colombia. In Bogotá, the progressive church organisation CINEP said its databank on human rights had no case registered involving BP or any oil company in Casanare.

Mr Carlos Lemos Simmonds, the Colombian vice-president who is also ambassador to London, says the attacks on BP could be part of a campaign against the oil companies manipulated by guerrilla groups.

"They don't like it when multinationals help a lot of people. They want to create problems ... The guerrillas are trying to renationalise the oil industry in Colombia," he says, an objective he admitted was shared by the powerful oilworkers' union.

He adds that the guerrillas may have targeted BP because it had refused to pay protection money to them, as other oil companies had in the past. The guerrillas' criminal activity was becoming "big business".

BP's claim to be operating to high environmental standards is borne out by observers. "In the early days, they weren't the best but they weren't the worst," says Mr Titus Moser, a Briton who has spent a month in the region studying the impact of oil companies on the environment. Encouraged by exacting 1994 legislation, BP has been "responsible and progressive", he says.

However, there is little doubt that BP's relations with the local community have been difficult. There have been violent incidents since BP arrived and one of the first Cusiana rigs was burnt down. Strikes and demonstrations have also provoked clashes with the police and military.

Moreover, despite efforts to help social development, BP has failed to develop adequate relations with the local community, according to visitors to the region. The oil rigs are "fortresses" and while BP has placed a lot of emphasis on working with the national government, less has been placed on local liaison.

"The operation has been run too much from Bogotá," says one observer. Another comments that in developing social programmes for the locality, the company focused its efforts on building infrastructure rather than the delivery of services such as education or health.

The remoteness of the region has also made it difficult for BP's head office to manage what is going on its name in Casanare. BP has been reasonably successful in the difficult task of controlling sub-contractors. But many observers doubt that BP head office knows exactly what is going on – with many of its own local security people inevitably close to the army.

The result has been a lack of trust between BP and the local communities. The oil company sees the guerrillas behind many of the protests; while local people see BP protected by fortresses and behind armed guards, and working with the army.

The company appears to have acknowledged some of these criticisms. It has moved some executives, including Mr Mead, from Bogotá to the local headquarters in Yopal to "listen" more closely to local demands and to respond more rapidly to them.

Yet, given the size and prominence of the project and Colombia's near civil war, it is hard to see how BP – the most visible of the foreign oil companies in the country – could have avoided its share of problems. "BP is having such an impact because the project is so big," says Mr Moser. These should ease, he believes, when the construction phase is over in another year or two.

BP has often said that the oil deposits in Colombia are so large that it expects to be there for 25 to 50 years. Its interest in getting on with the local communities was therefore "not based on philanthropy or public relations but on much more strategic objectives".

As difficult as getting on with the locals is, however, the toughest issues may be those BP faces back home. It is a lesson being learned by multinationals and those, like Mr Howitt, who would seek to influence them. "There is going to be far greater scrutiny from shareholders and other groups such as consumers, than there has ever been in the past," says Mr Battman of Control Risks.

Additional reporting by Sarita Kendall in Bogotá and Robert Corzine

OBSERVER

Thieving in Brussels

■ The Brussels diplomatic circuit is a-buzz with anxious chatter concerning the latest Euro-gravy train. And it has nothing to do with the European parliament.

It transpires that Jean-Pierre Leng, a top French Eurocrat and former EU ambassador in Tokyo, is the latest victim in what is beginning to look like a crime wave against diplomats.

Leng was on holiday last weekend when burglars entered his residence in well-heeled Uccle, smashed open a safe and stole large amounts of foreign currency, gold jewellery and bronze artefacts. The thieves paused in their work long enough to down four bottles of beer before absconding.

Leng is putting on a British-style stiff upper-lip in the face of this outrage. But he will derive scant consolation from the fact that this is only the latest criminal act against European diplomats in the political capital of Europe.

A senior German diplomat recently had antiques valued at DM1m stolen from his house. Meanwhile, professional criminals held up an ambassadorial chauffeur at gun-point and hijacked the car.

By far the most bizarre incident, meanwhile, concerns an alleged police assault last year on the Italian chauffeur to Dietrich von Kyaw, German ambassador to the EU.

The chauffeur failed to respond to an order to step out of the official Mercedes and lost three front teeth during the subsequent fracas. Von Kyaw has filed an official protest, but the Belgian authorities have still to offer an explanation or compensation.

It may look tame compared with Johannesburg, but Brussels has become a dangerous place to live, especially if you have the misfortune to be a diplomat.

Thrown

■ No-one is benefiting more from the controversy over the government's sale of the Thomson electronics giant than the ever-impecunious French newspaper industry.

South Korea's Daewoo, which is set to take over the Multimedia consumer electronics arm of Thomson under the government's proposals, has embarked on an advertising blitz in an effort to convince the sceptical, some would say prejudiced, French public of the merits of its plans.

It is hard to be sure, but some of the ads appear to feature a nice line in Korean irony. "Do you know the dwarf Daewoo?" asks one of the slogans; before explaining the company is ranked 34th in the Fortune 500.

Staggering

■ Any diversion at all, one would imagine, would be welcome from a conference on rural development in Europe – except if it should get in the way of the serious business of the day, namely the golf.

For a gathering of more than 500 delegates yesterday at the Silver Springs Hotel in Cork, the distraction came in the form of a stag in rut, which had pitched up on the hotel's nine hole course. The animal attacked two members of the hotel's staff who sallied forth at midnight on Wednesday in a desperate bid to save the fairways.

Unlike mad cows, rutting stags revert to normal behaviour once they have established the right to mate any female deer in the vicinity. But that is likely to be too late for the delegates, who have been advised not to venture on to the course.

Chinese puzzle

■ Preparations for Hong Kong's handover to China next year may be proceeding apace in the colony but, back in the imperial homeland, a squall worthy of the South China Sea is looming.

No fewer than three groups will be competing for the loyalty of revellers when Prince Charles hands over a valuable chunk of his royal inheritence at the stroke of midnight on June 30.

"The Hong Kong Society, whose membership includes most of the top *gwellos* who prospered during decades of British rule, has got in first by hiring Sandown Park racecourse – a poor substitute for Happy Valley – to stage an extravagant bash for up to 3,000 people.

But the Chinese embassy in London has its own party plans; those who don't want to find themselves in bad odour with the new landlords of "fragrant harbour" may consider the invitation rather hard to refuse. Last and not least, the Hong Kong government office in London is also intent upon staging an exotic bash. Looks like an immediate test for post-imperialist diplomacy.

Unforgettable

■ The only known joke about European integration, courtesy of Irish foreign minister Dick Spring. Why is the process like two elephants making love? The gestation period for any results will be at least 11 months, the negotiations take place at a reasonably high level and each small advance is greeted by loud trumpetings.

The Financial Times 50 years ago

President Will Not Resign
Washington, 7th Nov. President Truman will not resign after the defeat of his party in the Congressional elections. "The President has not even considered such a step," it was stated in informed quarters. One member of the President's staff said: "It would be impossible for the President under the constitution to name his successor. The people of the U.S. elect the President and there is no other way in which he can take office." On Wall Street losses of fractions to one point were registered in early trading.

Sao Paulo Railway Fire
Sao Paulo, 7th Nov. Five hours after the big fire which partly destroyed the Luz railway station, headquarters of the British-owned Sao Paulo Railway Company, recently expropriated by the Brazilian Government, the Governor of the State of Sao Paulo, Senhor Carlos Macedo Soares, declared that "strange facts had preceded the fire."

Diamond Exports Rise
Dar Es Salaam, 7th Nov. Diamond exports from Tanganyika during August totalled 13,655 carats valued at £114,773 compared with close on 12,000 carats valued at £53,158 in the previous August.

"The key to success is your passion."
KAZUO INAMORI, founder of Kyocera
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FINANCIAL TIMES
Friday November 8 1996

LEGAL DEFINITIONS
advocacy n. 1 sickness caused by excessive consumption of Dutch egg-yolk liqueur 2 skill of pleading a case orally in court 3 support for a cause. see ROWE & MAW: asap (ph 0171-248 4282)
Rowe & Maw
LAWYERS FOR BUSINESS

Fears raised over weakness of economic recovery

German unemployment tops 4m for first time

By Peter Norman in Bonn

Germany's job crisis worsened last month with seasonally adjusted unemployment exceeding 4m for the first time to reach 4.04m.

The federal labour office in Nuremberg reported a 41,000 jump in the jobless total in October with the prosperous west suffering three-quarters of the increase.

"The economic recovery so far this year has been neither strong nor stable enough to improve the labour market situation," Mr Klaus Leven, deputy head of the labour office, said.

IG Metall union members, protesting in Karlsruhe at planned German welfare cuts, peer out of a banner calling for a strike

The labour market figures, coming after news this week of falling industrial production and orders in September, raised fears about the strength of Germany's economic recovery and of a further sharp rise in unemployment during the winter.

The pan-German seasonally-adjusted unemployment rate rose to 10.6 per cent of the labour force from 10.4 per cent in September and 9.6 per cent in October last year. Unemployment affected 9.4 per cent of the west German labour force and the east German rate was 15.5 per cent. On an unadjusted basis, pan-German unemployment rose 18,400 to 3.887m between September and October and was 341,000 higher than in October last year.

The news came shortly before the Bundestag, Germany's lower house of parliament, gave the third reading to government-sponsored tax changes designed to stimulate investment. It also approved measures to cut unemployment benefits for people rejecting lower-paid jobs and for the long-term unemployed.

The tax package includes measures to encourage company start-ups and controversial proposals to cease levying the wealth tax from the beginning of next year.

However, the Bundesrat, the second chamber of parliament, dominated by states governed by the Social Democrats, is expected to reject the package at the end of this month, forcing mediation procedures.

Mr Theo Waigel, the finance minister, said putting the wealth tax in abeyance would attract foreign capital and investment to Germany and put new life into the labour market.

Yesterday's labour market figures were bleak. Short time working increased between September and October while the most recent employment figures – for August – showed a sharp seasonally adjusted fall of 55,000 compared with July, reflecting job losses in western Germany.

Mr Leven said that the labour market in eastern Germany had developed "less unfavourably" than that in the west in recent months.

However, the overall situation in the new Länder was much worse.

Highlighting the east-west divide, yesterday's seasonally unadjusted statistics showed that the state of Sachsen-Anhalt had the highest jobless rate of 16.8 per cent compared with 6.5 per cent in Bavaria, the state with the lowest unemployment.

World Cup co-hosts reach an uneasy agreement

By John Burton in Seoul

Japan and South Korea have agreed a compromise on the co-hosting of the 2002 football World Cup, averting a collapse in negotiations between the historical enemies.

The two countries – under pressure from Fifa, the international organising body for football – agreed after talks in Zurich that South Korea would host the opening ceremony in Seoul and Japan the final match, probably in Tokyo or Yokohama.

Korea gained some concessions in return for conceding the final to Japan. It will host the semifinal games and will choose the official name for the tournament. Korea will also manage the lottery draws for the finals and Japan will be responsible for the preliminary matches.

There have been deep disagreements between the two nations on game arrangements since they were selected as co-hosts in May after the most bitter bidding battle in World Cup history.

Officials from Fifa had hinted that, unless progress was made in settling the differences, the co-hosting idea would be abandoned in favour of selecting another country.

Neither side appeared satisfied after the tense meeting at Fifa headquarters. "I am not unhappy, nor am I happy," said Mr Ken Naganuma, president of the Japanese Football Association.

Fifa rejected a Japanese request that the number of teams in the finals be increased from 32 to 40 and that the majority of games be played in Japan.

Japan sought the increase to provide games for provincial cities that were excluded from holding matches under the co-hosting arrangement.

Japan is also considered to have a better transport infrastructure than Korea, which recently announced that construction problems would delay the opening of its high-speed rail system until after the World Cup.

However, many logistical problems remain – not least the fact that teams will be expected to play games in countries that are at least two hours' flying time apart.

The compromise also raises awkward diplomatic questions. The most delicate is whether the Japanese emperor will attend the opening ceremony in Seoul. A Japanese emperor has never travelled to Korea since its liberation in 1945. His visit could provoke protests among Koreans.

Other issues to be clarified include the division of profits and the selection of a mascot and emblem.

AT&T alliance bids for French telecoms network

By David Owen in Paris and Alan Cane in London

AT&T-Unisource, an alliance between the largest US long-distance operator and four European telecoms operators, has entered the bidding for a stake in France's second-largest telecoms network.

The 8,600km optic fibre network, linking most of France's main towns and cities, is owned by SNCF, the French state-owned railway company, which is looking for industrial and financial partners to develop its full potential.

The network could be used to compete with France Télécom, the state-controlled operator, in the vital long-distance market after liberalisation of European telecoms markets on January 1 1998.

Compagnie Générale des Eaux, the utilities company, and Bouygues, the construction group, are also known to have submitted offers for a stake in SNCF's telecoms subsidiary. As operators of France's second and third mobile telephone networks, these groups are thought likely to be among SNCF's first telecoms customers.

From AT&T's perspective, the move is an attempt to salvage its French strategy after its exclusion from Cegetel, the Générale des Eaux-led second force in Europe's second largest telecoms market.

AT&T formed a partnership with Gênérale des Eaux in France in April last year to offer services through a company called Siris in which CGE held the majority stake.

But in late September CGE formed the Cegetel group in partnership with British Telecommunications and Mannesmann of Germany, leaving out AT&T. AT&T said it was "disappointed" by CGE's decision.

In bidding for the SNCF telecoms network, however, the group is emphasising the importance it attaches to the French telecoms market and to working with local partners.

Its bid is given urgency by the news earlier this week that BT and MCI, the second largest US long-distance carrier, are proposing to merge to create a global telecoms operator called Concert. Apart from Concert, AT&T-Unisource's chief competition is Global One, an alliance of Deutsche Telekom and France Télécom.

AT&T's partners in AT&T-Unisource are KPN of the Netherlands, Telia of Sweden, Swiss Telecom and Telefónica of Spain. The alliance aims to provide pan-European telecommunications services.

Although it is already providing services to customers, it has yet to receive regulatory approval from Brussels because the markets of its European parents are not yet liberalised.

SNCF said last night more than three bids had been received. It is expected to choose its partners before the end of the year.

THE LEX COLUMN

A yen for change

When "Mr Strong Dollar" tells you enough is enough, it is time to sit up and take notice. In the 20 months since the dollar bottomed at Y80, no person has been more associated with its subsequent rally than Mr Eisuke Sakakibara, the Japanese finance ministry official responsible for exchange rate policy. He has earned his soubriquet through tireless championing of a stronger dollar. Yesterday he changed his tune: the one way correction of the dollar against the yen was about to end, he said.

FTSE Eurotrack 200: 1821.2 (-5.7)

Dollar

Against the yen (¥ per $)

115, 110, 105, 100, 95, 90, 85, 80

1994, 95, 96

Source: Datastream

Unsurprisingly, traders responded by buying the yen heavily. Dollar/yen is the most heavily managed of the world's leading exchange rates, and Mr Sakakibara was giving notice that betting on a weaker yen is no longer a riskless trade. But markets should not get carried away. This episode is evidence not of a breakdown in G3 co-operation on currencies, but of its continued success. Stopping further yen devaluation can only help defuse looming trade tensions between the US and Japan. And the mere fact that this episode took place only a day after the US election is strong evidence that Mr Sakakibara spoke with US assent.

Although the move makes sense, it is fraught with danger. Currencies do not turn on a penny and markets will probe the downside until they have established what exchange rate central banks are happy to tolerate. Mr Sakakibara's initiative risks coming adrift unless officials make clear that they are calling for consolidation, not a reversal.

Crédit Lyonnais

Could Crédit Lyonnais be sold? The French finance ministry, which has asked Goldman Sachs to sound out prospective buyers, is clearly itching to be rid of this state-owned embarrassment. The prospect of a quick trade sale rather than a long-drawn-out flotation must seem attractive. And it might just work. The latest bail-out, now being negotiated with the European Commission, will finally decouple Crédit Lyonnais from the "bad bank" into which it has poured its dud loans. Shorn of those, Crédit Lyonnais should make a small profit in 1996. For next year, analysts are pencilling in a 7 per cent after-tax return on equity – very close to the 8 per cent being achieved by France's best performing banks.

Unfortunately, this says more about the state of the French banking market than about Crédit Lyonnais' underlying strengths. Overcapacity on the one hand and inflexible labour laws on the other mean French banks are among the least profitable in Europe. Crédit Lyonnais, despite all its problems, has made only a feeble attempt to cut costs and shrink its operations, particularly its branch network in France. Any buyer, particularly if foreign, would surely insist on a free hand to carry out wholesale restructuring. So when it comes to the crunch, a sale will probably be politically impossible. But given the government's deplorable failure to clean up Crédit Lyonnais' mess so far, it should be prepared to think the unthinkable.

UK tour operators

The tour operators have joined the brewing industry as a bête noir of the Office of Fair Trading, with all the accompanying uncertainty that entails. On the face of it, they look worthy targets. Thomson and Airtours generate half the country's package holidays and own 40 per cent of its travel agents. They are accused of unfairly pushing their holidays at the expense of everyone else, and the accusations have some substance.

In the circumstances, the 9 per cent drop in Airtours' shares was hardly surprising. Evidence of anti-competitive activity could ultimately result in the enforced separation of tour operators from their travel agencies. This would result in high closure costs and the loss of their largest distribution outlet. However, that looks highly unlikely. Competition has been extremely lively – hence the £10m ($16.4m) of losses achieved by the 30 largest tour operators last year. Moreover, smaller operators have been gaining market share at the expense of Airtours and Thomson. It should be possible to ensure a transparent market through relatively minor concessions.

Of course, the parallel with the brewers is not a happy one. The government created a raft of highly profitable independent pub companies at the expense of the previously profitable brewers. But the consumer gained little from that restructuring, and the government seems unlikely to repeat the favour for independent travel agents.

Ionica

Eye-popping valuations are being bandied around for Ionica, a fledgling UK telecoms group expected to go public next year. The company's "radio tail" technology is neat, as it allows customers to be hooked up without going through the expense of digging up the streets. But suggestions apparently emanating from Northern Electric, which owns 8 per cent of Ionica, that the company is worth up to £850m are hard to credit.

A racy valuation would, of course, serve Northern's interests as it fights CalEnergy's hostile bid. At £850m, Northern's stake would be worth £68m – more than 10 per cent of what CalEnergy is offering. But the best guess of Ionica's value today is only £300m-£500m.

One benchmark is the £275m value put on the company in its latest capital increase. Another is the £22m Scottish Power paid for Ionica's Scottish franchise last year. Given that the company's English franchise covers 10 times the population, an initial stab at its value is £220m. To this, three other assets should be added: the £60m raised in the last equity round; royalties on the sale of its technology in other countries; and the potential to win overseas franchises. Take account of the fact that Ionica now actually has customers and its value could reach £500m. None of this is terribly scientific. And, if Northern could sell its stake for a fancy price, it would disprove doubters. But investors who really think Ionica is a hidden jewel should instead buy Yorkshire Electric, which owns 20 per cent of the group.

Additional Lex comment on Kwik Save, Page 20

The Market Leader: Loan Syndications

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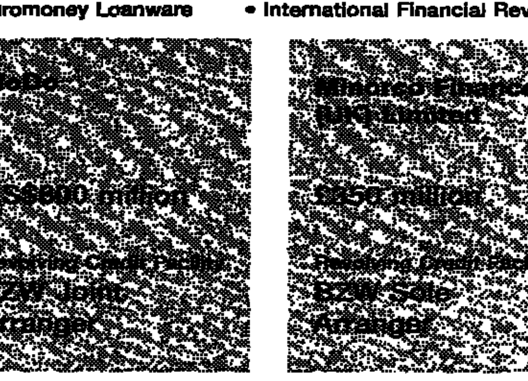
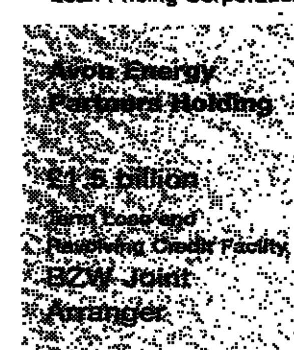
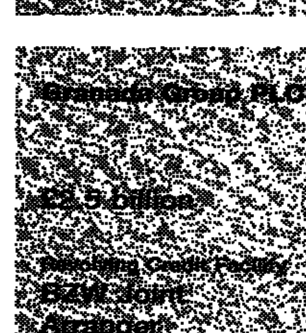
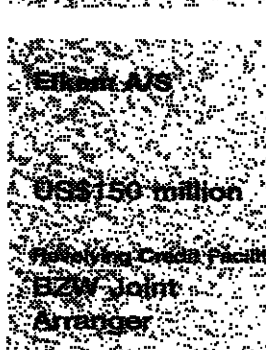
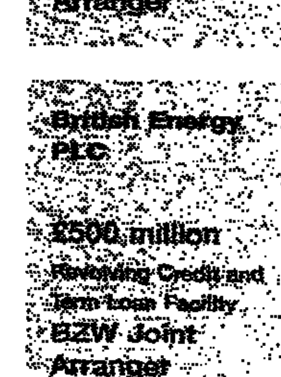







INVESTMENT BANKING. FROM A TO

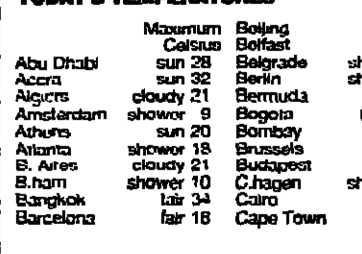
FT WEATHER GUIDE

Europe today

South-east Europe will be sunny, dry and rather warm. Southern Italy and most of Spain and Portugal will be dry and calm with sunny spells. Eastern Europe will have plenty of cloud and periods of rain. North-west Europe will stay rather unsettled with cloud and coastal showers in Denmark, northern Germany, Poland and the Baltic states. The north-western UK will be cloudy with some rain later. Southern Scandinavia will be dry with sunny spells. Iceland will stay frosty.

Five-day forecast

Northern France will have some rain. Conditions in most other areas will change little. Most of western Europe will have increasing winds. An area from northern Spain across the Alps to southern Scandinavia will have frequent showers, some with hail or thunder.



Warm front — Cold front — Wind speed in KPH

TODAY'S TEMPERATURES

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

	Maximum Celsius										
		Beijing	fair 10	Caracas	thund 31	Faro	sun 20	Madrid	sun 16	Rangoon	shower 30
		Belfast	rain 8	Cardiff	shower 11	Frankfurt	shower 9	Majorca	sun 20	Reykjavik	fair -4
Abu Dhabi	sun 28	Belgrade	shower 13	Casablanca	fair 22	Geneva	shower 12	Malta	sun 20	Rio	shower 26
Accra	sun 32	Berlin	shower 9	Chicago	shower 5	Gibraltar	sun 19	Manchester	shower 9	Rome	fair 20
Algiers	cloudy 21	Bermuda	sun 25	Cologne	shower 8	Glasgow	rain 8	Manila	shower 31	S. Frsco	sun 21
Amsterdam	shower 9	Bogota	thund 19	Dakar	fair 30	Hamburg	shower 6	Melbourne	shower 24	Seoul	fair 17
Athens	sun 20	Bombay	sun 33	Dallas	sun 22	Helsinki	shower 5	Mexico City	fair 25	Singapore	thund 32
Atlanta	shower 18	Brussels	fair 9	Delhi	sun 30	Hong Kong	sun 28	Miami	cloudy 29	Stockholm	fair 4
B. Aires	cloudy 21	Budapest	fair 13	Dubai	sun 31	Honolulu	fair 29	Milan	sun 15	Strasbourg	shower 11
B.ham	shower 10	C.hagen	shower 7	Dublin	shower 9	Istanbul	sun 18	Montreal	rain 4	Sydney	shower 21
Bangkok	fair 34	Cairo	sun 24	Dubrovnik	fair 17	Jakarta	shower 29	Moscow	rain 7	Tangier	fair 21
Barcelona	fair 16	Cape Town	rain 20	Edinburgh	cloudy 7	Jersey	fair 13	Munich	rain 12	Tel Aviv	sun 23
						Karachi	cloudy 33	Nairobi	thund 26	Tokyo	fair 17
						Kuwait	sun 33	Naples	shower 17	Toronto	rain 8
						L. Angeles	sun 29	Nassau	fair 29	Vancouver	cloudy 14
						Las Palmas	cloudy 24	New York	rain 17	Venice	fair 14
						Lima	cloudy 21	Nice	sun 19	Vienna	shower 13
						Lisbon	sun 19	Nicosia	sun 23	Warsaw	rain 9
						London	shower 11	Oslo	fair 4	Washington	rain 17
						Lux.bourg	shower 8	Paris	fair 11	Wellington	shower 16
						Lyon	fair 12	Perth	fair 24	Winnipeg	snow 1
						Madeira	fair 22	Prague	shower 8	Zurich	shower 11

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COMPANIES & MARKETS
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Friday November 8 1996

IN BRIEF

SBC not expecting to hit profit target

Swiss Bank Corporation, Switzerland's third-biggest bank, has signalled it no longer expects to meet its net profit target of SFr1.4bn ($1.1bn) for 1996 which it announced at the time of its big restructuring less than two months ago. It said its third-quarter results were below those of the first two quarters. Page 16

Daimler sales rise underlines recovery
Daimler-Benz, the German automotive and defence group, remains on track for a robust recovery with an 11 per cent rise in nine-month sales to DM75.9bn ($50.3bn). Page 16

Document highlights troubles at Vitro
Vitro, the troubled Mexican glassmaker, will not pay a cash dividend to shareholders this year, according to a recommendation in an internal company document obtained by the Financial Times. Page 19

TCI seeks stake in Argentine media
TCI, the US cable company, is in negotiations with Argentina's Mr Eduardo Eurnekian to buy 80 per cent of his Multimedios América media network in a deal that could be worth several hundred million dollars. Page 19

Kwik Save in large restructuring plan
Kwik Save, the UK food retailer, plans to cut 1,900 jobs and invest more than £300m ($489m) in one of the most extensive restructurings undertaken in this sector. Details of the restructuring were announced as the food discounter reported a sharp drop in pre-tax profits from £125.5m to £2.8m due to an £87.5m exceptional charge. Page 20

Conflict looms over EU grain licences
The European Union awarded licences for the export of 350,500 tonnes of wheat with a subsidy of Ecu 22.35 a tonne in a move that is likely to inflame its row with the US over grain subsidies. The US government has accused the EU of depressing world prices by refunding traders for sending high-priced EU wheat to the export market. Page 24

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Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Adidas	137.9	+	5.5
Falls			
SEA Pf	479	-	35
Kali & Salz	159	-	5
PWA	214	-	8
Schmalbach Lub	302	-	8
Siemens	72.27	-	8.93
NEW YORK ($)			
Rises			
Charles Schwab	29⅝	+	2¾
United Health	43⅝	+	3⅝
Falls			
Best Buy Co	12⅞	-	3¼
Informix Brands	16⅛	-	3¼
United Inc	18	-	2½
Loews Cn's	38¼	-	4¼
LONDON (Pence)			
Rises			
St Western Res	171½	+	4
Falls			
Airtours	651½	-	61½
Applied Dist	27	-	2½
Megadeltas	82½	-	16
Merida Int	156½	-	31
Yorkshire Food	21½	-	7
TORONTO (C$)			
Rises			
Dorel Inds B	18.25	+	1.55
Dundee Bancp B	21	+	1
Precisor UK US	25	+	1
Falls			
Cotton Energy	9.9	-	1.1
Newgrowth	23	-	1
Norcen Energy	28.8	-	1.1

PARIS (FFr)			
Rises			
Bertrand Faure	198.0	+	10.5
Eridania B-S CI	692	+	32
Labinal	872	+	32
Lyon des Eaux	478.4	+	14.4
Paribas	1285	+	41
Valeo	278.8	+	7.3
TOKYO (Yen)			
Rises			
Aoyama Trading	3080	+	130
Falls			
Central Fin	390	-	11
Janome Sew	426	-	24
Kanematsu	512	-	22
Nagasakiya	608	-	25
Nippon Denko	438	-	22
HONG KONG (HK$)			
Rises			
Daido Concrete	0.67	+	0.15
Nority Intl	0.95	+	0.14
Falls			
Egana Intl	1.53	-	0.54
HK Telecom	13.05	-	0.4
Peace Mark	0.39	-	0.07
Yohan Success	2.07	-	0.62
BANGKOK (Baht)			
Rises			
Loxley Publ	200	+	14
Thai Telephone	52.5	+	4.5
Falls			
Book Club	43.50	-	3.75
Kang Hust	39.25	-	4.00
Kulthorn Kirby	29.0	-	2.5
S&J Intl	38.5	-	3.5

New York and Toronto prices at 12.30.

Scania slumps 95% without warning

Group's shares hit lowest level since April's public offering

By Hugh Carnegy in Södertälje

Scania, the Swedish truckmaker which came to market this year in one of the world's biggest public offerings, shocked investors yesterday with a near 95 per cent dive in third-quarter profits.

The slump in pre-tax earnings from SKr706m to just SKr40m ($6.1m), caused mainly by unexpected delays to Scania's new 4-series model, came without warning and prompted a 5 per cent slide in the shares.

Its most-traded A shares fell SKr9.00 to SKr167. This is their lowest level since the SKr19.8bn initial public offering in April of a 55 per cent stake by Investor, the main Wallenberg empire holding company which previously owned Scania.

"The market does not like to see a development like this so soon after an IPO," said Mr John Lawson, motor industry analyst at Salomon Brothers in London. "It seems the overall costs of the product changeover are substantially more than had been foreseen."

The third-quarter setback left profits in the first nine months down from SKr3.5bn to SKr2.1bn – almost 20 per cent below analysts' average expectations. Earnings per share fell from SKr11.57 to SKr7.65 – and were just SKr0.09 in the third quarter.

With marked understatement, Mr Leif Ostling, chief executive, said the third-quarter result was "not normal for Scania". In recent years it has had an average profit margin of 14 per cent, easily the best among the world's heavy truckmakers such as Mercedes and its Swedish rival Volvo.

Although Scania was hit by the recent strength of the Swedish krona, Mr Ostling blamed unexpected delays in building up production of the 4-series truck as the biggest factor in the profits slide.

In the IPO prospectus, Investor warned that delays in the 4-series could have a negative effect on operating performance. But Mr Ostling said problems in shifting production in its French, Dutch and Swedish plants had proved far greater than expected in a critical period in September and October.

As a result, the company effectively lost production of 2,200 trucks up to the end of October – some 700 more than had been anticipated.

In addition, Scania said it would incur SKr300m redundancy costs in the fourth quarter on top of the SKr500m budgeted for the 1996 changeover programme.

Over the first nine months, total sales dropped from SKr25.4bn to SKr24.6bn – but it increased market share in western Europe, its main market, by 1 percentage point to 15.4 per cent with strong sales of the outgoing 3-series range.

Mr Ostling said production would return to schedule during the fourth quarter and that overall truck sales in Europe were in line with the high levels of 1995 and 1994. But he warned of further negative currency effects this quarter.

Airbus recovery could lead to fewer job losses

By Wolfgang Münchau in Frankfurt

Airbus, the European aircraft consortium, is heading for a strong commercial recovery, according to Daimler-Benz Aerospace (Dasa), which yesterday hinted at reduced staff cuts at its northern German Airbus plants.

Dasa, which owns 37.9 per cent of Airbus, yesterday reported that its Airbus unit secured as many orders over the past nine months as it had during the previous three years. Compared with the previous nine-month period, orders were up by 89 per cent to DM13.6bn ($9bn).

The figures do not include this week's bulk order from USAir, which signed a memorandum of understanding for the purchase of 120 Airbus A319, A320 and A321 aircraft, and an option on a further 280.

Dasa said the USAir order paid testimony to the consortium's newly improved competitiveness, and would secure the future of the consortium's German production bases.

Airbus runs a final assembly plant in Hamburg for the A319 and A321 aircraft, which are short and long versions respectively of the classic A320 mid-range aircraft.

Mr Manfred Bischoff, chairman of Dasa, said: "This extraordinary success would not have been possible had it not been for the company's efforts to improve the efficiency and international competitiveness of the civil aviation division."

As part of a controversial restructuring programme, nicknamed Dolores, Dasa introduced a series of tough measures last autumn. The programme was to improve Airbus's competitiveness against Boeing of the US, its main competitor.

At its Hamburg plant, Dasa had planned to cut 800 staff from 7,100 but there are now likely to be fewer cuts and fewer compulsory redundancies.

Dasa said that the Airbus consortium had received 408 firm orders this year, including the one from USAir, compared with only 106 last year.

The other shareholders in the Airbus consortium are Aerospatiale of France, which also holds a 37.9 per cent stake, British Aerospace with 20 per cent and Casa of Spain with 4.2 per cent.

The order level shows Airbus just behind Boeing with orders for 505 aircraft this year.

Mr Bischoff said USAir's order would ensure Hamburg's position as Airbus's second final assembly plant. Airbus assembles an average of nine aircraft a month in Toulouse and five aircraft in Hamburg. Both plants are forecast to increase output.

Last year, Airbus employees protested at the Dolores programme. The rise in orders is likely to boost morale. Their jobs have been insecure largely because of Germany's uncompetitive exchange rate.

Daimler sales rise, Page 16

Sixties scene: Carnaby Street, the London shopping street that became famous during the 1960s, is being bought for £90m ($147m) by Shaftesbury, the property company that specialises in tourist and leisure areas of the capital Report, Page 20 Picture: Hulton Getty

CalEnergy lifts UK utility stake

By Jane Martinson in London

CalEnergy, the US power producer bidding for Northern Electric of the UK, took advantage of the fall in the sector's share prices in London yesterday to buy 13.5m of its target's shares. This brought its stake to 26.8 per cent.

Shares fell after Wednesday night's announcement by Dominion Resources, the US utility, that it was considering a £1.2bn ($2bn) bid for East Midlands Electricity, another regional electricity company.

Some analysts said the drop was due to concern that a bid by Dominion might prompt a reference of both offers to the Monopolies and Mergers Commission, the UK regulatory body.

Others blamed profit-taking and a belief that Dominion would not offer a price much above 608p, the level it indicated was its limit.

The uncertainty pushed Northern's share price below CalEnergy's 630p a share offer, allowing the US company to buy more shares under the UK's takeover rules. Northern's shares ended 7p down at 623½p.

The Nebraska-based group already held 13.4 per cent of Northern after launching its bid last week.

Mr David Sokol, CalEnergy's chief executive, left for the US yesterday after meeting Offer, the UK's electricity industry regulator. He said the company's £659m offer was fair.

"We continue to hope that [Northern's] management choose to sit down and try to turn this into a recommended transaction," he said. Northern has rejected the bid.

A broker said CalEnergy's share buying was "a bit of a risk given the regulatory position".

Offer's consultation period ended yesterday. It must advise the Office of Fair Trading whether the bid should be referred to the MMC. The OFT will then make recommendations to the UK's Department of Trade and Industry.

Three other bids by US power groups for UK regional electricity companies have been approved by the government, reducing the number of independent regional electricity companies to five from the 12 originally sold off.

East Midlands' shares fell 15p to 592½p yesterday. A 70p jump on Wednesday had prompted the Dominion announcement. The predator's board is likely to meet in Richmond, Virginia, today to discuss the deal.

East Midlands advised shareholders to reject any bid pitched at 608p.

US chip industry expects leading indicator to be axed

By Louise Kehoe in San Francisco

The US semiconductor industry's monthly book-to-bill ratio, a leading indicator of the industry's health that is closely watched by Wall Street analysts and investors, is expected to be discontinued in the near future.

Several leading US semiconductor companies, including Intel and Texas Instruments, have been lobbying for the elimination of the ratio for at least a year. Their opinions are now holding sway over other members of the Semiconductor Industry Association, an industry trade group that publishes the monthly figures.

Texas Instruments' position is that the book-to-bill ratio "does not provide an accurate picture, a true reflection of the industry's health".

TI, Intel and other critics within the industry point out that the ratio covers only American manufacturers, which account for approximately one third of world production, leaving out important Japanese, Korean and European manufacturers.

Concerns about the indicator have come to a head largely because it has been signalling a decline in the industry's outlook over the past year. The ratio, which measures the value of new orders against the value of shipments, has been below 1.0 since January.

The intense attention paid by Wall Street and the media to the ratio has heightened concerns among industry executives who believe that the monthly figures have depressed semiconductor stock prices and contributed to volatility of high-tech stocks.

Critics argue that the ratio has been unduly influenced by a sharp drop in the price of dynamic random access memory chips, which represent about 20 per cent of worldwide chip sales. The ratio masks the success of companies that make other types of semiconductors, said TI.

Mr Dan Klesken of Robertson Stephens, stockbrokers, agreed. Excluding memory chips, world semiconductor sales would show 5 per cent growth this year, he said. The ratio is "not very accurate and is often readjusted", he added.

Vintage year at SGS-Thomson, Page 17

Sony expects record profits

By Michiyo Nakamoto in Tokyo and Alice Rawsthorn in London

Sony, the Japanese electronics and entertainment group, expects record operating profits this year. The group has been helped by the weak yen, strong sales of digital products and albums from the singer Celine Dion and bands Oasis and The Fugees.

The optimistic forecast follows a strong first half for Sony, which has been dogged by troubles at its Hollywood film studios. Consolidated pre-tax profits doubled to Y109.4bn ($968m) in the six months to September 30, on sales up 23 per cent at Y2,530.7bn.

Export-oriented Sony is one of the biggest beneficiaries of the weak yen. It predicts record consolidated operating profits of Y305bn for the full year, with sales increasing 16 per cent to Y5,350bn.

Sony's first half was strengthened by robust sales of new products. It sold 850,000 digital camcorders during the first half, about 13 per cent more than in the same period in 1995. Sales of the MiniDisc, the miniaturised recordable compact discs that Sony hoped would rival standard audio-CDs, also increased, as did those of digital mobile phones.

The group was lifted by PlayStation, its 32-bit games system, which has sold 9m consoles worldwide. This is well ahead of its arch-rival, the Sega Saturn. This weekend, Sony introduces Crash Bandicoot, a PlayStation game which, it hopes, will become as popular as Sega's Sonic the Hedgehog and Nintendo's Super Mario Brothers.

In entertainment, Sony was helped by strong record sales. It sold 13.5m copies of the latest album by Celine Dion, the French-Canadian singer, and 10m of the debut release by The Fugees, of the US. *Morning Glory*, by Oasis, the UK rock group, has sold more than 9m copies since release in the autumn of 1995.

The weaker yen and successful television shows and videos, notably *Jumanji*, helped offset Sony's difficulties in its feature film division.

Lex, Page 14

This announcement appears as a matter of record only.

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October 1996

SBC lowers target after weaker quarter

By William Hall in Zurich

Swiss Bank Corporation, Switzerland's third biggest bank, has signalled that it no longer expects to meet its expected net profit target of SFr1.4bn ($1.1bn) for 1996 which it announced at the time of its big restructuring less than two months ago.

The group, which last year bought S. G. Warburg, the UK merchant bank, said its third-quarter results were below those of the first two quarters. In the first half of 1996 the group increased its net profit by 34 per cent to SFr722m. The group does not publish third-quarter figures but said that its net profits in the first nine months of 1996 were 27 per cent higher.

SBC's comments on its weaker third quarter performance follow a similar statement from Union Bank of Switzerland last week. Crédit Suisse is expected to report a similar downturn when it makes its third quarter statement later this month. SBC's shares dropped by 1 per cent at one stage yesterday but ended the day only marginally lower at SFr249.50.

SBC says that the main reason for the profit slowdown was lower trading volumes on the financial markets which affected trading income. In the first half of 1995 the group's trading income had risen by 27 per cent to SFr2.1bn. On a cumulative basis, trading revenues at the end of September were nearly as high as for the whole of 1995.

Although the group is almost half-way through its final quarter, it stressed that its full-year profits would depend heavily on trading volumes and provisioning requirements in the final weeks of 1996. It said that it now expected its net profits for the year to be "some percentage points" below original estimates but still "substantially higher" than in 1995 when the group earned SFr1.0bn.

Mr John Leonard of Salomon Brothers said he was now lowering his forecast for the group's full-year net profits from SFr1.4bn to SFr1.3bn. SBC, in common with the other Swiss banks, still seems to be suffering from an abnormally high level of bad debt provisions in its domestic Swiss business.

SBC's operating expenses in the first half of 1996 were higher than those of UBS, its bigger rival, and SBC has been under some pressure to contain the rapid growth in its cost-base caused partly by the acquisition of S.G. Warburg.

In September it announced a large reduction in the size of its domestic branch network and various other measures which will result in it taking a SFr3.3bn charge in 1996. As a result it expects to report an after-tax loss of SFr1.9bn.

Daimler sales rise underlines recovery

By Wolfgang Münchau in Frankfurt

Daimler-Benz, the German automotive and defence group, remains on course for a robust recovery with an 11 per cent rise in nine-month sales to DM75.9bn ($50.3bn).

The company, which lost a record DM5.7bn last year, benefited from strong sales of the new Mercedes-Benz E-class, its new mid-sized model and the most important contributor to profits.

Mr Jürgen Schrempp, chairman, said: "The trend vindicates our course of focusing on high-growth, high-earnings fields of activity."

Jürgen Schrempp: decision to focus on high-growth, high-earnings activities vindicated *Reuter*

The rebound follows a year during which Daimler reduced the number of business units by one third to focus more closely on its traditional transportation-related activities.

Daimler forecast that second-half consolidated earnings would surpass the DM827m in operating profits of the first six months.

Daimler-Benz also said yesterday that a decision on the new board structure would be taken on January 23. The issue has given rise to a public row between Mr Schrempp and Mr Helmut Werner, chairman of Mercedes-Benz, the automotive division.

Mr Schrempp wants Daimler's main board to take direct management responsibility of the car and commercial vehicle units of Mercedes, which operates as a separate entity.

Mr Schrempp's pressure for an in-house merger with Mercedes has created uncertainty over the role of Mr Werner, who is opposed to an in-house merger. The situation is complicated further because of the position of Mr Hilmar Kopper, the head of Deutsche Bank who is also chairman of Daimler-Benz's supervisory board. Mr Kopper's recent decision to step down from Deutsche Bank's board next May has sparked speculation about his role at Daimler-Benz.

Yesterday's sales figures were broadly in line with market expectations. They showed a strong recovery at Daimler-Benz Aerospace (Dasa), which managed an 18 per cent rise in sales to just under DM8.3bn in the nine months.

Daimler-Benz Inter-Services, the financial services, telecommunications and software subsidiary, recorded a 14 per cent sales increase to DM9.5bn.

Mercedes-Benz, by far the largest unit, saw sales revenues rise 8 per cent to DM57bn. Mercedes sold 220,000 E-class cars, two-thirds more than the same period in 1995. Mercedes said it expected to produce about 300,000 E-class vehicles this year, matching the record set in 1990 for the old E-class.

Overall car sales rose 16 per cent, but sales of commercial vehicles went down slightly.

BASF to sell tapes business to Koreans

By Jenny Luesby

BASF, the German chemicals group, has decided to sell its magnetic tapes business to the Korean KOHAP group, for an undisclosed sum.

Three months ago, the group announced that it had agreed to sell the business to Turkish consumer electronics group, Raks.

However, the sale was reportedly opposed by employees, and last month, a BASF spokesman said the group had reopened negotiations with other bidders.

The group has now concluded a deal with the KOHAP conglomerate, which includes a 10-year manufacturing agreement for magnetic pigments.

The German stock market has reacted afresh to this sale, although BASF has refused to reveal the sums involved in either case.

The August announcement, which was accompanied by news that the group was ceding control of its ailing potash business, lifted the group's shares by DM1.16, or 2.8 per cent, to DM42.49.

This week's decision to sell the tapes business to KOHAP instead of Raks, lifted the shares by a further DM1.24, or 2.5 per cent, to DM50.50.

The market may have been concerned that the reopening of negotiations would delay or even stall the sale. Kohap also appears to be better placed to undertake the investment necessary to rehabilitate the business.

BASF has poured significant resources into its magnetic tape operations in recent years. In August, it said that greater efforts still would be needed to change the cost structure and expand into new markets.

Kohap, which is now acquiring the business, is certainly large enough to tackle these issues. It is expected to achieve sales of $5bn this year.

The Korean group spans a wide range of activities, although its main areas of interest are petrochemicals, chemicals, synthetic fibres, textiles, international trading, engineering and construction, and telecommunications to the financial and life insurance industries.

Raks, which specialises in consumer electronics, had sales of just $270m last year. The link with Raks was based on close co-operation over the last five years, with BASF supplying Raks with coated tape in exchange for Raks' ready-made video-cassettes.

Spanish builders to merge

By David White in Madrid and Andrew Taylor in London

Two leading Spanish construction companies, Cubiertas y MZOV and the family-controlled Entrecanales y Távora, are to merge in the latest of a series of moves to create stronger international groups.

The merger, to be completed in May next year, will form the country's third-largest construction group, with combined 1996 turnover estimated at Pta325bn ($2.53bn) and pre-tax profits of about Pta11.25bn.

The merged stock market-listed company – expected to operate under the Cubiertas name – will be more than 60 per cent controlled by Entrecanales' family shareholders.

The merger plan values Entrecanales at Pta57.5bn, compared with Cubiertas' stock market capitalisation of Pta49.5bn.

The link is expected to produce annual savings of more than Pta4bn. The Entrecanales group is already the biggest shareholder in Cubiertas, with a stake of just under 25 per cent.

The move follows a cross-shareholding deal between the two biggest Spanish construction concerns, Dragados y Construcciones and Fomento de Construcciones y Contratas (FCC), while last year Agromán, a builder belonging to the Banesto banking group, was taken over by the unlisted Ferrovial concern, which will now fight with the merged Cubiertas group for third place among Spanish builders.

The mergers coincide with cutbacks in Spanish public sector spending programmes, which have increased companies' need to win more foreign business.

Mr Juan Manuel Urgoiti, Cubiertas chairman, said the latest merger would create a group strong enough to participate in the private-sector infrastructure programme planned by the country's centre-right government.

Merita confirms recovery

By Greg McIvor in Stockholm

Merita, the dominant banking group in Finland, yesterday confirmed its return to financial health in 1996 by reporting a rise in pro forma nine-month profits from FM170m to FM930m ($204m).

The bank – formed last year by the merger of Kansallis-Osake-Pankki and Unitas – said the main factor behind the improvement was a sharper than expected drop in loan losses.

Profits were distorted by one-off items which included a FM700m gain from real estate disposals and a FM287m reversal of earlier write-downs in Merita's equity portfolio.

These were offset, however, by a FM745m depreciation charge arising partly from real estate write-downs, and FM100m of merger related restructuring charges.

Consolidated pre-tax profits rose from FM189m to FM976m on income up from FM5.7bn to FM6.9bn. However, the figures were not fully comparable as they did not include three months of KOP losses at the start of this year. Full pro forma figures were not produced.

The report was broadly in line with market expectations and Merita's most-traded A shares firmed FM0.10 to FM13.90.

Mr Keith Baird, banking analyst at Kleinwort Benson, the London investment bank, said the figures were a "confirmation of the bank's ongoing recovery".

However, he warned the lack of growth inherent in Finland's mature banking market might prompt a consolidation in Merita's shares, which have surged 42 per cent since August.

Cost cuts help Nedcor to 38% advance

By Mark Ashurst in Johannesburg

Nedcor, the South African banking group, ended a difficult year by announcing a solid rise in full-year profits. Net income increased 38 per cent from R782m to R1.1bn ($233m), while earnings per share rose from 386 cents to 502 cents. The dividend was 30 per cent higher at 155 cents and the return on equity was 21.9 per cent.

Analysts applauded the performance, which was at the upper end of expectations. The results were released after the close of business on the Johannesburg Stock Exchange.

Mr Richard Laubscher, chief executive, said the improvement reflected steady progress in reducing costs and improving distribution.

"All banks have the same agenda, but this has been a very volatile period and the markets have been difficult to read," he said. "The time has gone when if the market was good for banks, it was good for all banks."

A slump in consumer spending, a prime rate of 16 per cent, the sharp devaluation of the rand and hesitant growth were causing "discomfort" in the sector. But Nedcor had gained market share in every category of lending, he said. Net interest income increased 23 per cent to R2.9bn for the year to September 30.

Increases in core commission and fees boosted non-interest revenue by 24 per cent, from R1.6bn to R2bn. Expenses were 17 per cent higher, but the overall expense-to-income ratio fell to 61.4 per cent – about four percentage points below the Standard Bank group, its closest rival. South Africa's four biggest banking groups are vying to cut their expenses-to-income ratios to about 60 per cent by 2000.

Nedcor's subsidiaries include Syfrets, the fund management company, UAL, the merchant bank, and the Cape of Good Hope Bank, whose profits increased by 32 per cent, 12 per cent and 30 per cent respectively. A management shake-up and costs of integrating UAL and Nedcor offices had stalled growth at the merchant bank, which Mr Laubscher described as "disappointing".

Nedcor's market capitalisation surged to R15bn, from R10bn a year ago.

ETBA FINANCE
FINANCIAL & ECONOMIC SERVICES S.A.
(former GREEK EXPORTS S.A.)

ANNOUNCEMENT
OF A THIRD INTERNATIONAL PUBLIC AUCTION TO THE HIGHEST BIDDER FOR THE SALE OF THE TOTAL ASSETS OF THE COMPANY "INTERNATIONAL TOURIST INVESTMENT S.A." CURRENTLY UNDER SPECIAL LIQUIDATION

ETBA FINANCE FINANCIAL AND ECONOMIC SERVICES S.A., established in Athens at 1 Eratosthenous & Vas. Constantinou Streets, in its capacity as special liquidator, in accordance with Decision No. 743/1996 of the Athens Court of Appeal, of the above company which is currently under special liquidation as per article 46a of Law 1892/1990 as in force, and following the resolution dated 2/10/96 of ETBA S.A., the creditor as per para. 1 of article 46a of Law 1892.1990.

ANNOUNCES

a third international public auction to the highest bidder, with sealed, binding offers, for the sale of the total assets of "INTERNATIONAL TOURIST INVESTMENTS S.A." (the hotel "IPPOCRATOUS MELATHRON).

ACTIVITY AND BRIEF DESCRIPTION OF THE COMPANY

"INTERNATIONAL TOURIST INVESTMENTS S.A." today operates the hotel "IPPOCRATOUS MELATHRON:, A' Class, which is situated at Psalidi on the island of Cos, on a building plot 71,440 m2 in area. It consists of three independent buildings totalling about 19,941m² in area (the main building; the Maisonettes-Pavilion building, and a building which consists only of a reinforced concrete skeleton) which are functionally connected to each other. The hotel, which lies about 100 metres from the sea, contains an entrance hall, a reception area, a lounge, administrative offices, a conference hall,a restaurant, taverna, bar, discotheque, swimming pools (heated indoor pool and open-air pool with children's pool), sauna, gym, night club, tennis court, small children's playground and biological sewage treatment installation.

The hotel's official capacity, according to its special warrant, is 315 beds in 170 rooms. However, according to an on-the-spot inventory, 422 beds were found in the hotel' buildings in 201 rooms.

Beyond the hotel complex, the company's assets also include a plot of land totalling 50,330m2 in area in the Kardameni Community area of the island of Cos.

TERMS OF THE AUCTION

1. The Auction will be carried out in accordance with the terms of article 46a of Law 1892/1990 as supplemented by article 14 of Law 2000/1991 as in force today: the terms contained in the present Announcement and the terms contained in the relative Offering Memorandum, regardless of whether they are repeated or not in the Announcement. The submission of a binding offer implies acceptance of all these terms.

2. For fuller information on the company for sale interested parties may receive, following a written promise of confidentiality, the detailed Offering Memorandum and may ask for any further information.

3. In order to take part in the Auction, interested parties are invited to submit a sealed, binding offer to the Athens notary public assigned to the Auction, Mrs Panayota, Mrs. Alexandrou Grigoropoulou-Yannopoulou, 34 Panepistimiou Street, 2nd floor, tel. (301) 3645173 or 3632582, up to 12:00 noon on Friday, 29 November 1996.

Offers must be submitted in person or by a legally authorised representative. Offers submitted beyond the time limit will not be accepted or taken into consideration. Offers must not contain terms upon which their bindingness may depend or create ambiguities with respect to the offered price or its manner of payment, or with respect to other essential points. The liquidator and the creditor have the right, at their incontrovertible discretion, either to reject offers containing such terms or exceptions, even if the offered price is higher than any other, or to consider such terms as not having been made, in which case the offer remains binding with respect to its remaining content.

4. Offers must be accompanied on penalty of invalidity, by a letter of guarantee from a bank legally operating in Greece to the amount of twelve million drachmas (Drs 12,000,000) as per specimen contained in the Offering Memorandum. This letter of guarantee will be valid until its return to the Guarantor Bank.

5. The offers will be opened by the above-mentioned notary public in her office at 14:00 hours on Friday, 29 November 1996. Parties having submitted offers within the prescribed time limit may attend.

6. The highest bidders shall be the party whose offer will be deemed by the creditor, ETBA S.A., following the proposal of the liquidator, as being the most satisfactory for the creditors of the company under liquidation.

7. Offers must clearly state the offered price, the manner of payment and, in the event of part payment on credit, whether interest will be calculated or not, the offered rate of interest and the guarantees provided for settling the balance.

8. Part credit is acceptable only on condition of advance payment, on signature of the sale contract, of at least 20% of the offered price. Offers which do not abide by the above condition will be rejected.

9. The following are essential guidelines for the evaluation of the offers:
a) the amount of the offered price, the manner and time of payment and, particularly, the amount of the advance payment
b) the guarantees provided for payment of the balance on credit and
c) the creditworthiness and reliability of the interested party.

10. The elements of the company's assets are being sold and will be transferred "as is and where is" and, particularly, in their actual and legal condition and where they are situated on the date of signature of the sale contract.The liquidator and the creditor are not responsible for any legal or actual faults or shortcomings of any kind in the objects for sale, nor for any incomplete or inaccurate description of them in the Offering Memorandum.

11. In the event that part payment is offered on credit, the present value will be taken into account and will be calculated at the rate of interest in force, at the time of submission of the offer, for interest-bearing Greek State bonds of one year's duration.

12. In the event that the party to whom the assets of the company for sale have been adjudicated does not fulfil his obligation to be present at the time and place indicated in the relative invitation of the liquidator, to sign the relative contract or abide by the obligations accruing from the present Announcement, then the above amount of the letter of guarantee is forfeited to the liquidator and the creditor, in order to cover expenses of all kinds, time spent and any real or paper loss suffered by them, with no obligation on their part to provide specific proof, or consider the forfeiture as a penalty clause, and collect the amount from the guarantor bank.

13. The liquidator has no liability or obligation vis-a-vis participants in the auction, both with respect to the drafting of the evaluation report on the offers, and to his proposal of the highest bidder. Also, he is not liable and has no obligation towards the participants in the event that the auction is cancelled or declared invalid, if its results are not satisfactory.

14. Participants in the auction who have submitted offers do not acquire any right, claim or demand, from the present Announcement or from their participation in the auction, against the liquidator or the creditors for any cause or reason.

15. The expenses for the transfer of ownership of the assets for sale (taxes, fees, rights and other expenses) are to be borne by the buyer.

The present was drafted in Greek and translated into English. In any event however, the Greek text will prevail.

For any information and for receiving the relative Offering Memorandum, interested parties may apply to the offices of the liquidating company at 1 Eratosthenous and Vas. Constantinou Streets, 4th floor, Athens, Greece, tel. (301) 7260210, 7260278 and 7260506.

EUROPEAN NEWS DIGEST

Polish insurer plans share offer

The Powszechny Zakład Ubezpieczeń (PZU), Poland's largest state-owned insurer is planning to raise up to $300m through a new share issue in a first step to privatisation, Mr Jan Monkiewicz, the company's new managing director said yesterday.

Mr Monkiewicz said that PZU – which has over two-thirds of Poland's non-life insurance market – wanted to place the issue privately with leading local financial institutions. It hoped to close the transaction by the end of next march. "We are looking for strong investors who are ready to hold minority stakes for a longer period and thus stabilise PZU," he added.

Foreign insurers are not seen as potential investors, but Mr Monkiewicz said he was talking to the European Bank of Reconstruction and Development (EBRD) and the International Finance Corporation (IFC), the World Bank's private financing arm, about the issue.

PZU's present capital currently stands at 90m zlotys ($32m) and the company reported a 105m zloty net profit last year. PZU also owns PZU Zycie, which specialises in life insurance, and the net profit for both companies reached 110m zlotys in 1995.

It appears that PZU's management hopes the placement will leave about 70 per cent of the company's stock with the treasury and the balance in the hands of Poland's major banks, many of which are still state owned.

The placement is to be followed, Mr Monkiewicz said, with a public share offer. However, decisions have yet to be taken on whether this would be limited to the Warsaw Stock Exchange or whether shares would be offered abroad, and on how large the residual treasury stake would be. Mr Monkiewicz added it had not been decided whether the offer would represent a new issue or whether the state treasury would offer some of its shares for sale.

Christopher Bobinski, Warsaw

Klöckner in $310m disposal

Klöckner, the German trading group, yesterday said it would sell its automotive plastic fuel systems unit, Kautex-Werke, to the US company Textron for DM468m ($310m). Klöckner said the disposal, which is subject to approval by competition authorities in Brussels and the US, would be help the company achieve the goals it set out in a restructuring plan in March. The sale would reduce Klöckner's debt by around 30 per cent, double its net equity ratio and lead to an improved balance sheet position.

The sale of Kautex, which employs 2,000 people and has a turnover of around DM750m, reduces the size of Klöckner's automotive operations, which will now account for 40 per cent of sales compared with 54 per cent before the sale. For Textron, based in Rhode Island, the purchase of Kautex will further increase its automotive supply business, which is now forecast to generate total sales of $2bn.

Frederick Studemann, Bonn

Nice Systems ahead 91%

Nice Systems, the Israeli manufacturer of digital recording and storage systems, yesterday reported a 91 per cent jump in revenues for the first nine months of 1996, from $14.8m to $28.3m. Net income in the first nine months climbed from a loss of $440,000 to $3.2m. Earnings per share were $0.44, after losses of $0.03 in the first nine months last year.

Mr David Arzi, Nice chairman, said the company had cornered a growing portion of the financial institution's market for digital voice-logging technology this year, while "taking the lead" in the air traffic control market. Nice shares on the Tel Aviv Stock Exchange yesterday closed up 5 per cent at Shk68.81. The company's shares are also traded on Nasdaq.

Avi Machlis, Jerusalem

Hagemeyer to control HCL

Hagemeyer, the Dutch trading group, is to pay Fl 500m ($294m) for full control of HCL, a Hong Kong distribution venture set up in 1994 with Cosa Liebermann, a Swiss marketing company then owned by the Anova group of Mr Stephan Schmidheiny. Anova is to receive Fl 70m cash and 3.38m new shares in Hagemeyer, representing some 7.5 per cent of its equity.

The Dutch company said the capital increase would not affect its earnings outlook this year. A positive impact would be felt from 1997. The move from its current 50 per cent holding will add more than Fl 650m to Hagemeyer sales, which last year were Fl 5.72bn.

HCL markets consumer products and technical equipment across the Asia-Pacific, representing western manufacturers from General Electric to Givenchy as well as Japanese brands like Olympus and JVC. Hagemeyer said Anova intended to be a long term-investor and would gain a seat on its supervisory board.

Gordon Cramb, Amsterdam

Polish bank in eurobond issue

Polish Development Bank (PBR) became the country's third bank to raise funds on the eurobond market when it announced it had completed a $60m bond issue abroad yesterday. The bank was advised on the private placement by CS First Boston and Citibank International. The three-year bonds carry an interest rate of six basis points over 3 month LIBOR rates. *Christopher Bobinski*

Saudi banks' credit 'stable'

The credit quality of Saudi banks is generally stable, according to the first report by Moody's Investors Service on the Saudi banking system. But the threat of a deteriorating economy means asset quality remains vulnerable.

Moody's, which started rating Saudi banks only this year, gave all seven banks in its report stable ratings, apart from the United Saudi Commercial Bank. Its chairman bought a 34 per cent stake in the Saudi Cairo Bank earlier this year and a potentially closer relationship between the two could improve its ratings.

Current profitability levels are expected to be maintained, but the rapid profit increases of the early 1990s will not continue, the report stated. The report added that "Saudi banks do require capital ratios in excess of international norms in view of the enhanced risks inherent in the Saudi [banking] system."

Another significant concern when assessing Saudi banks is the country's legal system, which offers little protection for banks facing refusals to repay debt.

Alexandra Capelle

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NOTICE OF EARLY REDEMPTION

GRACECHURCH PERSONAL LOAN FINANCE (NO. 1) PLC
(the "Issuer")
£250,000,000 Class A Floating Rate Notes due 1998
(the "Notes")

NOTICE IS HEREBY GIVEN that pursuant to Condition 5(d) of the Terms and Conditions of the Notes (the "Conditions"), the Issuer will redeem all outstanding Notes at their Principal Amount Outstanding on 13 December 1996, being the next Interest Payment Date.

Payment will be made upon presentation and surrender of the Notes at the office of Barclays Bank PLC at 8 Angle Court, Throgmorton Street, London EC2R 7HT. Payment will be made by transfer to a pounds sterling account maintained by the payee with a bank in London.

Notes should be presented for payment together with all unmatured Coupons and Talons appertaining thereto

All expressions defined in the Conditions shall have the same meanings when used in this Notice.

Gracechurch Personal Loan Finance No. 1 PLC
Dated 8th November 1996

NOTICE OF EARLY REDEMPTION

GRACECHURCH PERSONAL LOAN FINANCE (NO. 1) PLC
(the "Issuer")
£30,000,000 Class A Floating Rate Notes due 1998
(the "Notes")

NOTICE IS HEREBY GIVEN that pursuant to Condition 5(d) of the Terms and Conditions of the Notes (the "Conditions"), the Issuer will redeem all outstanding Notes at their Principal Amount Outstanding on 13 December 1996, being the next Interest Payment Date.

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Gracechurch Personal Loan Finance No. 1 PLC
Dated 8th November 1996

SGS-Thomson's vintage year

The unlikely Italian-Franco amalgam is shaking up its rivals

Only two large chipmakers are likely to look back on 1996 as a vintage year. One is Intel, the world's largest semiconductor company and a bellwether for the entire US technology sector. The other is SGS-Thomson Microelectronics, an unlikely Franco-Italian amalgam not yet 10 years old. Nearly 70 per cent of its shares are in the hands of a consortium indirectly controlled by the French and Italian governments.

What business does such an apparently unwieldy creature have in outshining the bulk of its peers in this fast-moving, ferociously competitive and vital sector? And is its performance, which has featured a 35 per cent advance to $483.5m in net earnings in the first nine months of 1996, *just a flash in the pan?*

No, say analysts. They have watched with growing admiration as Mr Pasquale Pistorio, president and chief executive, has drawn on his 30 years in the sector – initially with Motorola of the US – to insulate his charge from the vicious cyclicality to which the market is prone and which has lately buffeted many rivals. They point to at least five factors underpinning the group's recent success.

First, it does not make standard D-Rams. The price of these dynamic random access memory chips – the basic chips for PCs – has plunged this year.

Second, the group's sales are relatively evenly spread around the world's main geographic markets, again unlike a number of its competitors. In the first nine months of this year, more than a third of its sales were in the Asia-Pacific region and Japan. This compares with 21 per cent in the Americas and 44 per cent in Europe.

Its products are also used in an exceptionally wide range of applications, with the computer sector accounting for a comparatively modest 27 per cent of 1995 revenues. Telecommunications, at 23 per cent, was next, followed by industrial products (21 per cent), consumer (20 per cent) and automotive (9 per cent).

Perhaps most important, however, is the strength of its range of custom-made products, which accounted for almost 60 per cent of revenues in the third quarter. This protects the group from the sort of intense competition that commodity chipmakers have to live with.

Mr Pistorio made much of this in the group's 1995 report. He argued that the trend towards "system-on-a-chip technology", with single chips able to replicate the functions of an electronic system, would mean the "successful semiconductor companies will be those with the demonstrated ability to form close strategic alliances with their customers".

Companies with which SGS-Thomson has ties include Bosch, Nokia, Northern Telecom and Seagate Technology. In 1995, sales to alliance partners totalled nearly $1bn of the group's $3.55bn net revenues.

The final advantage is possibly Mr Pistorio himself, a moustachioed Italian electrical engineering graduate. According to Ms Erika Klauer, New York-based analyst with Salomon Brothers, Mr Pistorio is "very well regarded by customers and competitors" and "quite an inspirational person".

Can it last?

Some acknowledge that performance may be outstripped by that of the main commodity chip manufacturers if and when that market recovers. "In upswings they will benefit less than others," says Mr Gabriel Hors, an analyst at NatWest Markets in Paris.

Others fret about what the effect might be if European Union semiconductor tariffs – the highest in the industrial world – were abolished. This could happen as soon as 2000.

SGS-Thomson points out that these have come down from a blanket 14 per cent to a maximum of 7 per cent this year. It says it is "in favour of fully eliminating tariffs", provided other countries do too. "We believe, given a level playing field, we can compete with the best in the world," it says.

As for worries about undue political influence, given that so much of its equity is still ultimately state-controlled, analysts seem fairly relaxed. Says Mr Hors: "Until now, governments have not interfered with the running of the company and they have been very prudent on debt levels. They will not force the company to build a factory in France if it could be done much more cheaply in, say, Singapore."

With the shares so buoyant, observers are starting to wonder whether a share offering is in the pipeline; the company will make no comment.

But some analysts think, perversely, that this might act as a further stimulant to the share price. "One of the biggest complaints in the US has been lack of liquidity," says Ms Klauer.

In fact, a 17.4 per cent holding in SGS-Thomson may soon be sold as a result of the French government's decision to dispose of Thomson, the electronics giant, to Lagardère, the French group whose activities include missiles and magazines. But it is widely assumed these shares will end up in the hands of France Télécom and/or CEA Industrie, the other two large French shareholders.

David Owen

See World Trade

Pasquale Pistorio, president and chief executive

Nampak ahead 16% to R544m for year

By Mark Ashurst in Johannesburg

Nampak, South Africa's biggest packaging company, announced a 16 per cent rise in full-year profits despite a slump in consumer spending. Net earnings were up from R470m to R544m ($115.5m) on turnover 11 per cent higher at R6.6bn.

Mr Trevor Evans, managing director, said Nampak had reacted to tough trading conditions by implementing a R45m restructuring ahead of schedule. He expected the full benefits to show next year, despite the slowdown in the economy.

Earnings per share increased 16 per cent from 89.8 cents to 103.8 cents. The final dividend was 26.3 cents, bringing the total for the year to 40 cents, against 35 cents last time. Analysts said the results were in line with expectations.

Operating profit for the year to end-September grew by 9 per cent from R736.5m to R804.2m. Capital expenditure was R600m, bringing the total budget for the past two years to more than R1bn. Gearing was 17 per cent at September 30.

Acquisitions during the period included the Durban-based Metal Press Company and Automa, a foam cup manufacturer.

Subsidiary Barlan Forms, and Europak, an aluminium tube producer were sold during the period.

CLT plans Polish satellite TV venture

By Christopher Bobinski in Warsaw

CLT, the Luxembourg-based European media group, has said it will start Polish language television broadcasts under its RTL label into the country by satellite next month in a project which is expected to cost the company $70m over five years.

CLT, which applied unsuccessfully for a terrestrial broadcast licence from the Polish authorities in 1994, says it has no plans to re-apply in the short term or buy into existing local broadcasters.

"We want to wait until existing Polish laws are changed to raise the upper limit on foreign broadcasters from its present 33 per cent to 49 per cent," Mr Ferdinand Kayser, from CLT said yesterday.

CLT has a target audience of 13.5m Poles who have direct access to satellite or cable relays of satellite programming.

Last year $325m was spent on television commercials by advertisers in Poland and this spend is expected to grow to $1bn in 2005.

Poles currently have two state-owned national television channels which carry advertising. These have about 60 per cent of the audience as well as Polsat, a locally-owned national commercial channel whose audience has now reached one fifth of the population.

Business service for satellite TV

By Raymond Snoddy

SES, the Luxembourg-based operator of the Astra television satellite system, plans to launch multimedia and business information services early next year.

The company, which transmits television channels to satellite dishes on 25m homes across Europe, believes that the move to digital technology will enable it to offer a much wider range of services.

"We believe that with digitalisation there will no longer just be TV and radio broadcasting but there will be broadcasting of all kinds of information, audio, video and data," says Mr Romain Bausch, director-general of SES.

SES is planning to create a multimedia satellite platform which will be able to transmit data either to television set-top boxes, which are able to decode the information, or direct to personal computers using PC cards.

Mr Bausch plans to address the business-to-business market including communication within companies and teaching and training.

Another service under consideration is the downloading of Internet sites directly to PCs.

"We want to offer these services for business reasons, not forgetting that the user may be in his home as well as his office," Mr Bausch said.

SES could also offer encryption or scrambling technology and subscriber management systems for users. This would ensure confidentiality and allow subscribers to levy their own charges.

The plans to launch multimedia services by satellite have to be formally approved at a board meeting later this month. It is thought likely that approval will be given.

By 1998 SES believes it will be able to offer inexpensive two-way communication through a terminal permanently connected to a fully integrated satellite network.

The launch of multimedia services is one of the steps that have to be completed before SES, whose shareholders include Deutsche Telekom, Pearson, the media group that owns the Financial Times, and a number of Luxembourg banks, decides on a stock market flotation.

No decisions have yet been taken but a float in either the first half of next year or early in 1998 is thought likely if only to establish the value of the company.

A simultaneous float in Luxembourg and London seems likely with New York possibly included.

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Creative Business

Tenaga blames power payments for 36% fall

By James Kynge in Kuala Lumpur

Tenaga Nasional, Malaysia's state power utility, announced a 36 per cent decline in full-year group net profit yesterday, blaming the poor performance on a surge in the payments it is obliged to make to independent power producers.

The fall in earnings was worse than analysts had expected. Group net profit for the financial year to August 31 dropped from M$1.24bn last year to M$797.8m (US$316.2m), while pre-tax profit fell 28 per cent to M$1.16bn.

Revenues grew 19 per cent to M$8.15bn, and earnings per share dropped to 25.9 Malaysian cents from 40.7 cents.

The company – which is Malaysia's second biggest by market capitalisation – proposed a total dividend of 12 cents, the same as last year.

The company put the blame for the fall in profits squarely on its payments to independent power producers (IPPs), which it said rose 114 per cent, or M$1.21bn, to a total estimated by analysts at M$2.22bn.

Five IPPs have begun operations in Malaysia since 1994 and Tenaga is under contract to buy a fixed proportion of their power at fixed prices, which in some cases are nearly double Tenaga's own generating costs.

Aggrieved over the rising profits of IPPs, Tenaga has begun lobbying the government for more favourable treatment. But Mr Anwar Ibrahim, the deputy prime minister and finance minister, said there would be no renegotiation of Tenaga's power purchase agreement with the IPPs.

He said, however, that IPPs would be expected to shoulder more of the cost of electrifying rural areas, training and other unprofitable activities currently undertaken exclusively by Tenaga.

Analysts added that the government could also try to cap the IPPs' output increases, mainly because Malaysia already has an electricity reserve of about 50 per cent.

They said also that other help for the utility, in which the state has a stake of more than 70 per cent, might also be on the way.

"I think it is likely that they will be awarded a tariff increase sometime before August 1998," said Mr Adin Jarjis, an analyst at Pesaka Jardine Fleming in Kuala Lumpur.

The last tariff increase, awarded in March this year, was from 20.03 cents per unit to 21.7 cents. The government, however, is keen to keep inflation down and Malaysian industry competitive, and has therefore been reluctant to award tariff hikes.

Analysts said this year's results looked particularly poor, partly because of unexpected provisions.

One of these, estimated at M$74m, was for rebates that the company agreed to pay for a blackout which shut down peninsular Malaysia for nearly 16 hours on August 3. Other provisions were for tax and legal fees.

Indian profit growth slows

By Tony Tassell in Bombay

The Indian corporate sector saw a sharp slowdown in profit growth in the six months to September as a result of steep increases in interest payments and tax provisions, according to a survey of the half-year results of 66 companies by the Centre for Monitoring the Indian Economy.

The survey found growth in aggregate net profit of the 66 companies was 16 per cent in the six months to September, compared with 35 per cent in the same period last year and 90 per cent in the first half of 1994-95.

The figure for the current year was skewed by strong results from three companies – Bajaj Auto, the scooter maker; Tata Engineering and Locomotive, India's largest manufacturer of commercial vehicles; and Tata Iron and Steel, the steelmaker. Excluding these, the aggregate net profit growth was only 8 per cent.

CMIE said the corporate sector experienced large inventory build-ups and higher trade receivables during 1995-96. These, together with a high cost of borrowing, resulted in a 33 per cent increase in interest payments among the sample companies. Excluding the "cash-rich" Tisco, Telco and Bajaj Auto, it said growth in interest payments was 40 per cent.

Tax provisions at the 66 companies rose 41 per cent in the first half. This would have been even higher if big companies such as Reliance Industries, the petrochemicals to textiles group, had not deferred a decision on paying a minimum 12.9 per cent corporate tax introduced in India's July national budget.

Shake-up in Australian banking

Non-bank lending is putting revenues under pressure

Next Tuesday, when Westpac kicks off the Australian banks' annual reporting season, analysts know what they will be watching out for. "Costs and revenues," says Mr Graham Maloney, an analyst at Macquarie Bank, the Sydney-based investment bank.

Both have been under pressure recently. On the revenue side, a mortgage price war has threatened to erode one of the most profitable areas for the banking sector.

Over the past few years an increasing number of non-banks have entered the home loans industry, helped by a rapid expansion in the mortgage-backed securities market. (In the first half of this year, mortgage-backed securities accounted for 26 per cent of net lending growth.)

These lenders – ranging from the big life insurers to dedicated mortgage companies, such as Aussie Home Loans – have wooed borrowers with attractive terms and forced the banks to fight back.

According to Moody's, the US-based ratings agency, the standard spread over funding costs for bank mortgages is about 100 basis points, compared with the 250-300 basis point spread which the banks have traditionally enjoyed. Fees have also been reduced, meaning borrowers now cover a smaller portion of origination costs upfront.

"The period for a bank to recoup the origination costs could conceivably jump from months to just under two years or more. This is a most pertinent point considering the shorter life of the mortgage. This transformation would make the profit margins in the Australian mortgage market move from being one of the highest in developed economies to more closely mirroring markets in North America," Moody's suggested.

The better news is that this is occurring at a time when credit growth generally is fairly healthy. Business lending is expected to pick up in 1996-97 – although strong investment activity in sectors such as mining and telecoms may not be matched in older manufacturing and distribution industries or in the small business sector.

The squeeze on interest margins, meanwhile, has turned the spotlight on the banks' cost-savings efforts. This has prompted a wave of consolidation among regional banks.

Over the past 18 months, Adelaide's BankSA, Challenge Bank and BankWest in Perth and Queensland's Metway Bank have all been absorbed into larger groups.

Most recently, a A$2.65bn (US$2.1bn) merger was announced between the two largest New South Wales-based regionals, St George and Advance.

The merger partners claim the deal would allow them to shed about 12 per cent of their combined workforces, axe overlapping branches and shed about 15 per cent of their combined annual costs.

By contrast, the big four banks – which currently cannot take each other over and have limited scope for regional deals – have concentrated on thinning down their branch networks and selling the electronic banking message.

ANZ, which has the weakest cost/income ratio among the big four, is expected to close about a tenth of its branches over the next 12 months. McIntosh Baring has suggested that about 8,000 jobs could be lost by 1998 from the big banks, even in the absence of any "mega-merger" activity.

The latter, however, is a real possibility, and of bigger concern to many analysts than the upcoming results. The likelihood of a shake-up in the banking sector has been touted ever since the federal government set up an inquiry into Australia's financial system. This is headed by Mr Stan Wallis, one of Australia's leading businessmen, and is to advise on regulatory issues and promote efficiency.

Two crucial issues for the banking sector will be how the different types of financial institutions are allowed to operate in each other's markets; and whether the former Labor government's "six pillars" rule – that mergers between the four big banks and two big life insurers should not be permitted – is overhauled.

Banks, insurers and other financial services groups have already filed submissions with the inquiry which cover a wide spectrum.

At one end are banks such as National Australia Bank and Westpac, which see larger groupings bringing gains in efficiency. NAB says financial services groups should be allowed to operate in any part of the sector, and the formation of financial conglomerates should be facilitated. Westpac, meanwhile, would encourage the entry of new banks. It would even bring down the minimum tier 1 capital requirement from A$50m to, perhaps, A$20m to facilitate this.

Both would abolish the "six pillars" restrictions, and NAB has also pleaded for the market to be viewed on a national, rather than state, basis.

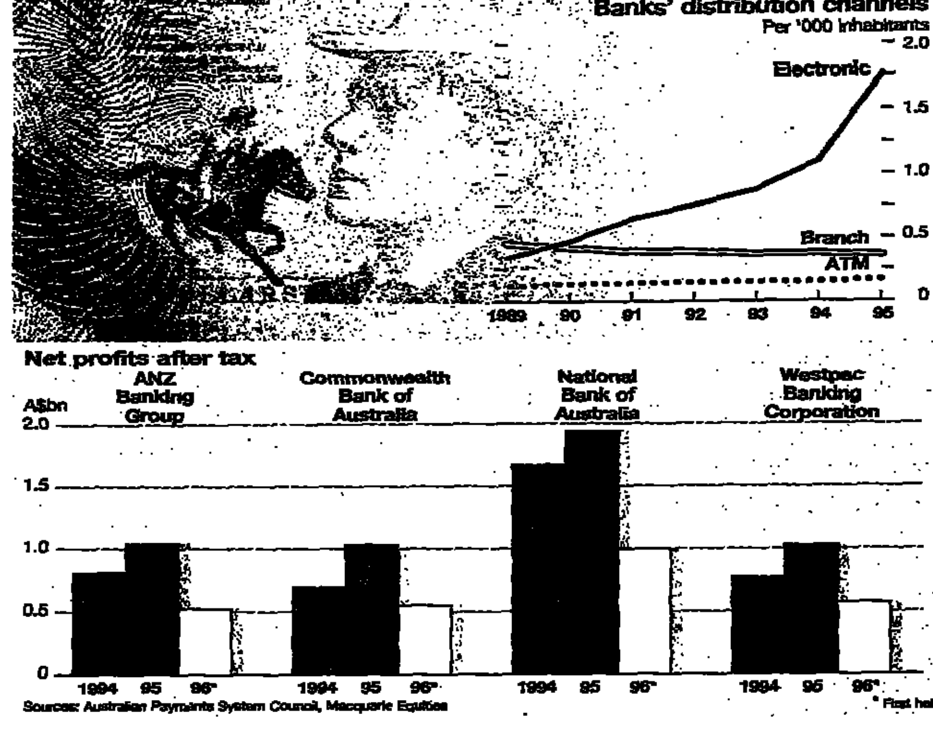
Commonwealth Bank favours a "public benefit test" being applied to mergers between the big banks and insurers.

Mr Don Mercer, head of ANZ, has also pointed to the overseas experience of bank mergers and the often disappointing outcomes for shareholders.

"There is a view out there that there are huge efficiency gains to be had from merging two systems ... The truth is in most mergers it just doesn't happen," he said.

The stock market has been flush with speculation. Stories of big overseas banks, such as Hongkong & Shanghai, eyeing Australian opportunities have circulated, as has talk of likely predatory moves by domestic banks. ANZ and Westpac are seen as the most vulnerable; NAB as the most likely to acquire.

Nikki Tait



Fuji Heavy up strongly midway

By Michiyo Nakamoto in Tokyo

Fuji Heavy Industries, the maker of Subaru cars, yesterday reported a sharp rise in parent recurring profits for the first half, supported by strong vehicle sales overseas, cost-cutting and a weaker yen.

Fuji Heavy more than quadrupled recurring profits, from Y2.2bn to Y11.4bn ($100m), on sales 9 per cent higher at Y374.4bn.

Fuji Heavy, which has had success with its Legacy estate cars, saw an uplift in European demand and raised overseas unit sales by 53 per cent.

In contrast, Fuji Heavy found competition in the domestic market was fiercer and the company posted a 3 per cent decline in vehicle sales.

Leading Japanese carmakers have been launching a range of recreational vehicles including estate cars this year, and intensifying their marketing blitz in an attempt to gain a larger share of the growing market for non-saloon cars, where the Legacy had been a pioneer.

As a result of its weak performance in the Japanese market, overall unit sales, which contribute 80 per cent to total sales, rose just 11 per cent.

Fuji Heavy, which passed its interim dividend, forecasts continuing uncertainty in the Japanese market. However, it expects full-year sales to rise from Y747bn to Y790bn and recurring profits to more than double to Y26bn.

● Fuji Film, the camera film company, has raised its forecast for full-year net profits to Y84bn from Y74bn. It also raised its revenue forecast to Y1,220bn from the earlier estimate of Y1,170bn, AFX-Asia reports.

It attributed the upgrade to the start of production of colour film and colour paper in the US. It also expects to benefit from its tie-up with Wal-Mart on photo-finishing.

Fuji Film also expected to benefit from cost-cutting, restructuring and declining production costs in the period.

New World lifts net profit 21.9%

By Louise Lucas in Hong Kong

New World Development, the Hong Kong-based property conglomerate, yesterday reported a 21.9 per cent rise in net profits, to HK$4.16bn ($538m), for the year ending June 30.

The results, bolstered by an exceptional gain of HK$1.15bn from the spin-off in autumn last year of its hotel and infrastructure arms, were in line with market expectations. Operating profit before the exceptional item increased 13.8 per cent, from HK$3.62bn to HK$4.12bn.

About half the operating profit was earned from property development, with property investment accounting for 27.5 per cent. The remainder came from hotels and other property services. The group's fledgling telecoms activities recorded a loss of about HK$165m.

New World expects to complete about 5m sq ft of development properties and 1m sq ft of investment properties in the next two years.

The group, one of the biggest foreign investors in China, is involved in both government-subsidised housing and private-sector projects across the border. The bulk of its China landbank, which totals around 919m sq ft, is in Wuhan, an industrial city on the Yangste river, and in Guangzhou on the southern coast.

Ms Carol Lai, property analyst with Crosby Securities, said the contribution from China properties was lower than she expected. The group plans to list New World China in 1999 and may prefer to book properties later to ensure stronger profit growth in the year before the spin-off.

"If profits on China are down this year, then for 1997 and 1998 they are looking at higher numbers, which means overall higher numbers," she said. Ms Lai expects earnings per share growth of 16 per cent next year and 26.6 per cent in 1998.

Earnings per share rose 17 per cent to HK$2.40 for the year to June 30.

Carter Holt Harvey confident despite sharp fall

By Terry Hall in Wellington

Carter Holt Harvey, the New Zealand-based forestry group, expressed confidence that the bottom of the log and woodpulp cycles had passed after reporting a sharp fall in profits after tax to NZ$118m (US$84m) for the six months to September 30, down from NZ$271m for the same period of last year.

The company said it now appeared that the low point of its business cycles occurred in the first quarter, when net profits plunged to NZ$56m. In the last full financial year Carter Holt Harvey earned NZ$453m.

Mr John Faraci, chief executive, said that while business conditions remained challenging, they had improved in the second quarter with an increase in woodpulp prices. He said he expected a modest rise in export markets would continue to the end of the financial year.

The company, which is controlled by International Paper of the US, is an important supplier of forestry products and building materials in Australia, New Zealand and throughout Asia, and is a big shareholder in the Chilean group Copec.

Mr Faraci said that Carter Holt Harvey had implemented a number of cost-saving initiatives which would lead to savings of NZ$25m this financial year and a further NZ$50m next year.

The forest and woodpulp division earned profits before interest and tax of NZ$68m in the first half, compared with NZ$113m in the same period last year, on sales of NZ$591m, down from NZ$597m. Timber exports to Asia and North America rose 10 per cent during the period.

The purchase during the period of Forwood Products from the South Australian government made Carter Holt Harvey the biggest supplier of plywood and laminated veneer, and the second-largest sawn timber supplier in Australia.

The pulp and paper division achieved earnings before interest and tax of NZ$43m, compared with NZ$93m, on sales of NZ$590m, down from NZ$646m.

Earnings from the packaging division were little changed at NZ$24m on sales of NZ$244m.

Earnings of the building products division fell to NZ$13m from NZ$19m mainly due to difficult markets in Australia.

The New Zealand division performed well with strong exports of roofing materials to Asia and the US. Earnings from associated companies fell to NZ$53m from NZ$124m mainly due to a sharp fall in earnings from the pulp subsidiary of Copec. The company declared an interim dividend of five cents.

ASIA-PACIFIC NEWS DIGEST

Home use of PCs helps Softbank

Softbank, the Japanese publisher and distributor of computer related magazines and software, reported a 78 per cent increase in parent company recurring profits on the strength of growing sales of its products and services. Recurring profits rose to Y8.4bn ($74m) from Y4.7bn on sales up 46 per cent to Y86.9bn and net profits jumped by 78 per cent to Y4.5bn.

Softbank attributed the rise to the expansion of the PC from the business market to the home market, which has increased interest in its magazines. In particular, sales of PC magazines for beginners and general users did well, the company said.

The company embarked on a series of acquisitions during the period. It became the leading shareholder in Yahoo!, which supplies an Internet search engine, with a 36.3 per cent stake. It also announced its partnership with News Corporation in a digital multi-channel satellite TV service in Japan and jointly bought a 21.4 per cent stake in one of Japan's leading TV broadcasters. Softbank also acquired the world's largest supplier of memory chip products in the US.

For the full year, Softbank forecasts sales of Y190bn against Y140.3bn, recurring profits of Y19bn compared with Y13bn, and net profits of Y9.5bn against Y6.3bn.
Michiyo Nakamoto, Tokyo

Indian tyre group ahead

Kesoram Industries, the Indian cement and tyre group 36 per cent owned by the Birla family, has posted a 45 per cent rise in net profit to Rs223m ($6.28m) for the six months to September, helped by strong demand for cement at higher prices and a lowering of interest cost by Rs60m. Sales were up 4.3 per cent to Rs3.01bn and other income increased from Rs233m to Rs237m.

The Rs2.31bn expansion of the company's cement plant in Karnataka in the south of India to 1.19m tonnes a year from 686,000 tonnes will be completed in April 1997. Its other cement plant in the southern state of Andhra Pradesh has a capacity of 900,000 tonnes. Kesoram is also investing Rs1bn to equip its two cement plants with a 15MW coal-fired power plant each to "make them virtually self-reliant in power".

Analysts believe Kesoram will become one of the lowest cost producers of cement in the country once the captive power plants are commissioned in April 1997. The company is also raising capacity of its tyre factory in Orissa by 100,000 tyres a year to 1.1m tyres at an investment of around Rs1bn. *Kunal Bose, Calcutta*

Manila admits Dutch insurers

Two Dutch companies were yesterday awarded licences to offer life assurance in the Philippines. The local units of ING and Aegon will join seven other foreign groups in the industry. Further licences are expected to be offered soon, following the government's decision last year to open up the country's life and non-life services to foreign competition with an initial 10 licences in each sector.

According to Aegon, only some 12 per cent of Filipinos have a life policy. The industry, with premium income totalling 10.6bn pesos ($404m) in 1994, is "still very small compared with other Asian countries". Market leader is AIG of the US, with an estimated 34 per cent share. The new entrants, with an initial capitalisation of 300m pesos each, expect strong growth.

The awards were made during a visit to the Philippines by Mr Wim Kok, the Dutch prime minister.
Edward Luce, Manila, and Gordon Cramb, Amsterdam

US move by Lend Lease

Lend Lease, the Sydney-based property and financial services group, has entered a conditional contract to buy a 50 per cent interest in the King of Prussia Mall, a Pennsylvanian shopping centre complex, for around US$120m. The mall covers 2.9m sq ft, with 450 specialty stores, nine department stores and 35 restaurants, and claims to be the largest regional mall on the US East Coast. *Nikki Tait, Sydney*

HIH Winterthur rights

HIH Winterthur, the listed Australian general insurer, is raising A$127.4m (US$101m) through a rights issue of unsecured subordinated convertible notes. Proceeds from the underwritten issue will be used to pay down debt and bolster working capital. The Winterthur Swiss insurance company, which is the largest single shareholder, has agreed to fully support the issue. *Nikki Tait*

Mitsubishi Estate jumps

Mitsubishi Estate, the Japanese property developer, nearly doubled first-half pre-tax profits despite continued tough conditions faced by the commercial property management operation. Mr Shigeru Takagi, senior managing director said strong apartment sales in the half year supported the rise in parent pre-tax profits to Y11.14bn ($98m) from Y6.77bn. Apartment sales rose to Y31.1bn from Y13.3bn yen, with sales of 764 units, up from 340.

Despite the sharp rise in apartment sales, Mitsubishi Estate's operating profit fell to Y27.6bn from Y28.9bn as it wrote off non-performing apartment stock of about Y11bn.

The company forecast revenues from property sales in the year to March of Y123.5bn, up from Y102.9bn a year earlier. "As there are no tangible signs of rises in interest rates, strong apartment sales should continue in the second half," said Mr Takagi. *AFX-Asia, Tokyo*

Acer buys Hitachi stake

Acer, the Taiwanese electronics manufacturer, is to buy a 15 per cent stake in Hitachi Television Taiwan. Acer declined to disclose the price, but described the deal as marking "the beginning of a strategic alliance to integrate home appliances and computers". Acer, the world's seventh-biggest computer maker, already makes personal computers for Hitachi marketed under the Hitachi brand name. *AFX-Asia, Taipei*

Wesfarmers improves

Wesfarmers, the Perth-based energy and rural products group, has announced a 65 per cent improvement in profit to A$21.3m (US$16.9m) for its first quarter to September, compared with A$12.9m a year earlier. Sales were 8 per cent higher at A$603m. Fertiliser sales rose 52 per cent in volume terms, partly due to a late break in the growing season. Demand is expected to remain strong. *Nikki Tait*

NOTICE TO BONDHOLDERS

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5 per cent. Convertible Bonds due 2001 ("Bonds")

convertible into ordinary shares of, and guaranteed as to principal and interest by,

The Hongkong and Shanghai Hotels, Limited
(incorporated with limited liability in Hong Kong)

INFORMATION REGARDING CONVERSION PRICE UNDER THE BONDS AND RECORD DATE REGARDING RIGHTS ISSUE

NOTICE IS HEREBY GIVEN, further to the notice by The Hongkong and Shanghai Hotels, Limited (the "Company") to holders of the Bonds dated 25th October, 1996, that the auditors of the Company have confirmed that the adjustment to the price at which the Bonds are convertible into shares in the Company (the "Conversion Price") resulting from the proposed rights issue (the "Rights Issue") of not less than 89,948,424 new shares of HK $0.50 each in the Company ("Shares") with warrants would (but for the provisions described in the next paragraph) result in a new Conversion Price of not less than HK $12.71 (as compared with a current Conversion Price of HK $12.80).

Condition 6(C) of the Bonds provides that no adjustment shall be made to the Conversion Price where such adjustment would be less than 1 per cent. of the Conversion Price then in effect. Since the possible new Conversion Price, as confirmed by the auditors, would represent a reduction of less than 1 per cent. of the Conversion Price, no adjustment to the Conversion Price may therefore be made at this time. The conditions of the Bonds provide, however, that any adjustment not required to be made shall be carried forward and taken into account in any subsequent adjustment.

Bondholders are informed that the record date for entitlements to the Rights Issue is to be postponed from Monday, 11th November, 1996 to Wednesday, 13th November, 1996. Bondholders who wish to exercise their conversion rights under the Bonds and to qualify for participation in the Rights Issue would therefore need to duly convert their Bonds by close of business on Tuesday, 12th November, 1996.

By Order of the Board
Douglas E. Webster
Director
8th November, 1996

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Shareholders are hereby invited to attend the

ANNUAL GENERAL MEETING

of shareholders of our Company (the "Annual General Meeting") which will take place at the offices of HSBC INVESTMENT FUNDS LUXEMBOURG SA, 7 rue du Marché-aux-Herbes, L-1728 Luxembourg, on November 29, 1996 at 11 a.m. for the purpose of considering and voting upon the following agenda:

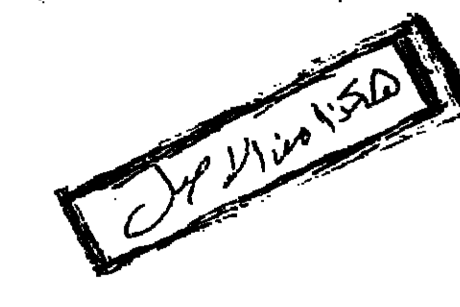
1. Acknowledgement of the report of the Board of Directors and the report of the auditors for the period ended July 31, 1996.
2. Approval of the financial statements and allocation of profits for the year ended July 31, 1996.
3. Discharge of the Directors.
4. Election and re-election of Directors, ratification of the co-option of a Director and increase of the number of Directors to 6.
5. Election of Auditors.
6. Miscellaneous.

The decisions on the agenda of the Annual General Meeting will require no quorum and will be taken at the simple majority of the shares present or represented and voting.

Shareholders who wish to vote by proxy should return their proxy form to HSBC INVESTMENT FUNDS LUXEMBOURG SA, 7, rue du Marché-aux-Herbes, L-1728 Luxembourg or send it by fax (confirmed by mail) to HSBC INVESTMENT FUNDS LUXEMBOURG SA, fax +352 47 55 69, so as to arrive no later than 5 p.m. on November 26, 1996.

In order to take part at the Annual General Meeting, the owners of bearer shares must deposit their shares 5 clear days before the meeting at the office of the Custodian Bank.

The Board of Directors



TCI seeks stake in Argentine media network

By David Pilling in Buenos Aires

TCI, the US cable company, is in negotiations with Argentina's Mr Eduardo Eurnekian to buy 80 per cent of his Multimedios América media network in a deal that could be worth several hundred million dollars.

Mr Eurnekian's holdings include the América TV channel, radio stations, satellite delivery channels, production facilities and El Cronista, a business newspaper.

Mr Fred Vierra, TCI chief executive officer, confirmed yesterday that negotiations had taken place between Mr Eurnekian and Telecommunications International, controlled by TCI. "Talks are continuing. Acquiring Multimedios is something we are very interested in doing," he said.

Mr Vierra said he had met President Carlos Menem, who raised no objections to the potential takeover. Suggestions that the acquisition would contravene Argentine restrictions on foreign media ownership were incorrect, he said.

Last year, TCI bought 51 per cent of Cablevisión, a cable TV network with 580,000 subscribers in the wealthiest part of Buenos Aires. The purchase included an option on a further 29 per cent stake, to be exercised by April 1997.

It is thought the 80 per cent stake would end up costing TCI nearly $500m. Mr Vierra said the group intended to exercise its purchase option.

TCI would probably dispose of several Multimedios assets which fall outside its core business of programming and cable TV. "I do not see what TCI can do with two radio stations and a newspaper," said Mr Miguel Smirnoff, a local analyst.

TCI is most interested in Mr Eurnekian's production facilities, which produce films, children's programming and a 24-hour news channel. Mr Vierra did not discount disposals, but said there was potential for cross-promotion between television, newspapers and cable.

TCI's main cable competitors in Argentina are Multicanal, in which Tisa, the international arm of Spain's Telefónica, has a 25 per cent stake, as well as VCC, controlled by US West Media.

All three companies are building up their network in preparation for the liberalisation of telecoms regulations, which would allow them to provide telephony and data services. TCI is already providing a data service to businesses.

The current telephone duopoly is due to expire in 2000, but Mr Vierra said he thought deregulation could be hastened.

US healthcare groups showing signs of recovery

By Lisa Bransten in New York

Rising enrolment levels and stabilising medical costs are helping US managed care companies recover from recent difficulties, although earnings growth in the third quarter remained well below levels seen in recent years.

Health maintenance organisations (HMOs) stumbled this summer when rising medical costs and flat premium revenues led many to report declining earnings for the first time.

Third-quarter results, although mixed, have renewed hopes that the strongest HMOs can return to earnings growth of at least 20 to 25 per cent next year. The Morgan Stanley index of managed care companies rose nearly 4 per cent in early trading yesterday.

United Healthcare set off the decline in HMO shares this summer when it reported a 16 per cent drop in earnings. This quarter, the company has once again led the sector, this time by pushing profits up 11 per cent.

Dr William McGuire, chief executive at United Healthcare, attributed the improvement in earnings to huge growth in healthplan membership both through acquisition of smaller HMOs and through internal growth. Members in its managed care plans grew by more than 32 per cent to 4.6m.

Oxford Health Plans also managed to grow its way into sharply higher profits. The company, which is much smaller than United, but among the fastest growing, posted a 57 per cent increase in members to 1.4m, while keeping medical costs steady at 80.2 per cent.

Humana, meanwhile, was plagued by rising medical costs and declining membership, but its shares rose along with the rest of the sector on hopes that Mr Gregory Wolf, the company's new president, would be able to restructure the business.

Columbia/HCA, the largest hospital company in the US, reported a 12 per cent rise in third-quarter income as it continued its rapid pace of acquisitions. Admissions at its hospitals and outpatient centres rose 11 per cent while same-hospital admissions rose 7 per cent.

Those gains come despite the declining hospital utilisation in the US that has come as a result of managed care companies striving to avoid or shorten expensive hospital stays.

US healthcare companies - third quarter 1996

Company	Revenue $bn	Increase %	Net income $m	Increase/ (decrease) %	Eps $	MLR*
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Humana	1.80	64	32	(54)	0.20	86.2
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Columbia/HCA	4.90	12	311	14	0.46	N/A

*MLR = medical loss ratio or per cent of premium revenue spent on medical treatment. Source: Company

Optima in plan for $400m fixed income fund

By Richard Lapper, Capital Markets Editor

Optima Fund Management, the New York-based hedge fund manager, is planning to raise up to $400m to invest in international fixed income markets, in a move which will increase its funds under management by some 50 per cent.

Optima, established in 1988 and one of the world's biggest multi-manager hedge fund groups, manages more than $750m in 12 separate funds.

Mr John Gutfreund, former chairman and chief executive of Salomon Brothers, is to advise the group on the new venture, while Ms Theresa Havell, a former partner at Neuberger and Berman, the New York-based money management concern, will manage the money.

Mr Gutfreund, one of the toughest and most respected traders on Wall Street during the 1980s, resigned in August 1991 in the wake of the firm's Treasury bond auction scandal.

Ms Havell said that investment would be diversified across 30 sectors of international bond markets, in order to diversify risk.

The fund would also use leverage to "drive up earnings".

Vitro moves to reduce $2bn debt

Leslie Crawford on the glassmaker's 18-month plan to return to profitability

Vitro, the troubled Mexican glassmaker, will not pay a cash dividend to shareholders this year, according to a recommendation in an internal company document obtained by the Financial Times.

The document, which outlines an 18-month plan to return the company to profitability, expresses concern over Vitro's heavy debt burden, particularly at the holding company level. It says Vitro should reduce its $2.19bn debt by $300m in the short term. By 1998, the company aims to have reduced its leverage to 1.25 times shareholders' equity, against 1.65 times at present.

Vitro is negotiating real-estate sales of between $20m and $40m, and will continue divesting from businesses which do not yield adequate returns as part of its programme to rationalise investments.

In September, Vitro wrote off its $1bn investment in Anchor Glass, its lossmaking US subsidiary. Vitro has also diluted its shareholding in Serfin, Mexico's third-largest bank. Anchor Glass, purchased in 1989, accounted for one-third of Vitro's annual sales of $3bn, but had become a lossmaker and a drain on Vitro's resources with the downturn in the US glass market.

The document recommends further lay-offs at Vitro's corporate headquarters in Monterrey, better cost controls and a reduction in working capital outlays.

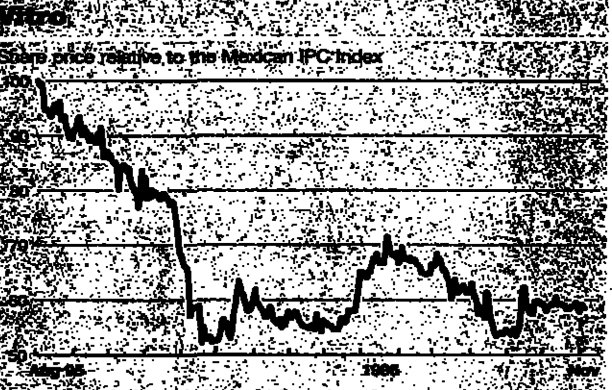
Where possible the company should seek "strategic alliances and joint ventures with world-class partners which will strengthen our existing businesses and provide new resources to fuel profitable growth".

The document outlines the tough decisions which remain to be taken by Mr Federico Sada, Vitro's 47-year-old chief executive, if the company is to revive the confidence of disappointed shareholders.

Vitro's stock, traded on Wall Street and in Mexico City, has lost more than half its value in peso terms since 1994. In dollar terms, the company's market capitalisation has shrunk from almost $3bn in 1994 to less than $800m today. And while the decision to divest from Anchor Glass briefly lifted the stock, Vitro's share price remains 25 per cent below this year's May peak.

According to market analysts, two factors are weighing down the stock: Vitro's heavy debt burden, and the competition the company will face when Saint Gobain of France opens a flat-glass plant at the hub of Mexico's vehicle assembly industry in the central state of Puebla.

The company's financing officers say there are three ways in which Vitro is planning to reduce debt. The company is generating close to 25 per cent of annual sales in cash flow, part of which will be used to retire debt. A second avenue is through further divestitures. A third option would be to bring in new equity partners.



Mr Sada said in an interview last week: "We are revising our business portfolio, and there may be more sell-offs. There are no sacred cows."

However, he balks at the suggestion that Vitro might sell its 49 per cent stake in Cydsa, the profitable plastics, chemical and fibres group. "Cydsa has been a good investment," Mr Sada said. "It is not for sale."

The second drain on Vitro's resources has been its investment in Serfin. During Mexico's financial crash in 1995, Vitro ploughed $65m to shore up Serfin's capital base.

Mr Sada says he will sink no more money into the bank. Serfin is now looking for a cash-rich foreign partner, and Mr Sada says he will accept the resulting dilution in Vitro's shareholding.

The ill-fated investments in Anchor Glass and Serfin were taken before Mr Sada took the helm at Vitro in January 1995. He prefers not to dwell on the mistakes of the past. He is promising a leaner Vitro for 1997.

Saint Gobain's arrival in Mexico – after winning orders for Volkswagen's new production lines in Puebla – represents the first time Vitro will face serious competition in its own backyard.

"We knew Nafta [the North American Free Trade Agreement] would bring more competition," Mr Sada says. "We used to supply all of Volkswagen's production lines and now we will have to share the accounts. We are going to have to fight harder from now on."

Analysts say Vitro is well prepared for competition, having spent large sums of money in recent years on new technology. In 1997, Vitro will complete the modernisation of its flat-glass division with a $77m expansion of its float glass furnace in Mexico City – a joint-venture with Pilkington of the UK. The modernisation has allowed Vitro to deliver higher quality safety glass for the construction industry and the windscreens of trucks and cars.

The company is also expanding its white goods division – a joint-venture with Whirlpool of the US – to produce refrigerators for export. Vitro executives said capital expenditures would total about $150m next year, slightly less than in 1996.

"New businesses are not a priority for us," Mr Sada says. "We are reviewing our core businesses and looking for export opportunities."

Finance officials said there would be no new public offerings of Vitro stock next year. The company's capital outlays would be financed with bank loans and Vitro's own cash flow, they said.

In late 1997, Vitro might issue some form of equity-related instruments. "It all depends on how quickly we can provide strong results to the financial community," says Mr Hugo Jaime, Vitro financing director.

AMERICAS NEWS DIGEST

State steps in on Caribbean row

The Trinidad and Tobago government has intervened to end a six-month row between two of the country's largest companies. Mr Brian Kuei Tung, the finance minister, and Mr Ralph Lawrence Maharaj, the attorney general, this week met Republic Bank, Trinidad and Tobago's largest commercial bank, which has been resisting efforts by Colonial Life Insurance to increase its 34 per cent stake and install its own nominees on the bank's board.

Colonial Life denies it is seeking a takeover, but contends that a "strong alliance" between the two companies would be mutually beneficial. Mr Kuei Tung has said he was willing to appoint a foreign mediator, but would not do so until the situation was "calmer". He has suggested that both companies seek a negotiated solution.

Colonial Life took a 46.7 per cent stake in Republic Bank in 1989, later cutting it to 34 per cent. However, a banking act passed last year capped the shareholding of individuals and institutions to 25 per cent in a commercial bank, unless permission was given by the central bank. Republic, which is asking for more sweeping changes and a much lower cap, has been arguing that Colonial Life's stake be cut further because it is not "fit and proper" to hold more. *Canute James, Kingston*

Ottawa denies cash to CAI

The Canadian government has agreed to defer a loan payment for Canadian Airlines International, but refused union demands for a C$70m (US$52.6m) cash infusion.

The airline, which is 30 per cent owned by American Airlines, is facing its second cash crisis in two years. It lost C$49m in the first nine months of the year and expects a heavy loss for 1996. High fuel prices, domestic price wars, a weaker yen and a high debt burden have all deepened its woes; only its Asian routes are profitable.

Mr Kevin Benson, president, says CAI could run out of cash early next year without drastic restructuring. His demand for a 10 per cent payroll cut has been refused by the unions, but he plans to reduce overheads, win supplier concessions, eliminate lossmaking routes and shift aircraft to fast growing trans-border (US) routes.

American Airlines' stake, acquired in the 1994 restructuring for C$246m, is now worth C$30m and may be written off. A federal transport minister, Mr David Anderson, while deferring a C$30m quarterly debt repayment, says Ottawa will not put in more direct aid until CAI's restructuring plan is firmly in place.

Ottawa says it may consider a request by American Airlines to raise its ownership in CAI, even though this could trigger a demand from rival Air Canada for similar treatment. *Robert Gibbens, Montreal*

Polar arm in paper issue

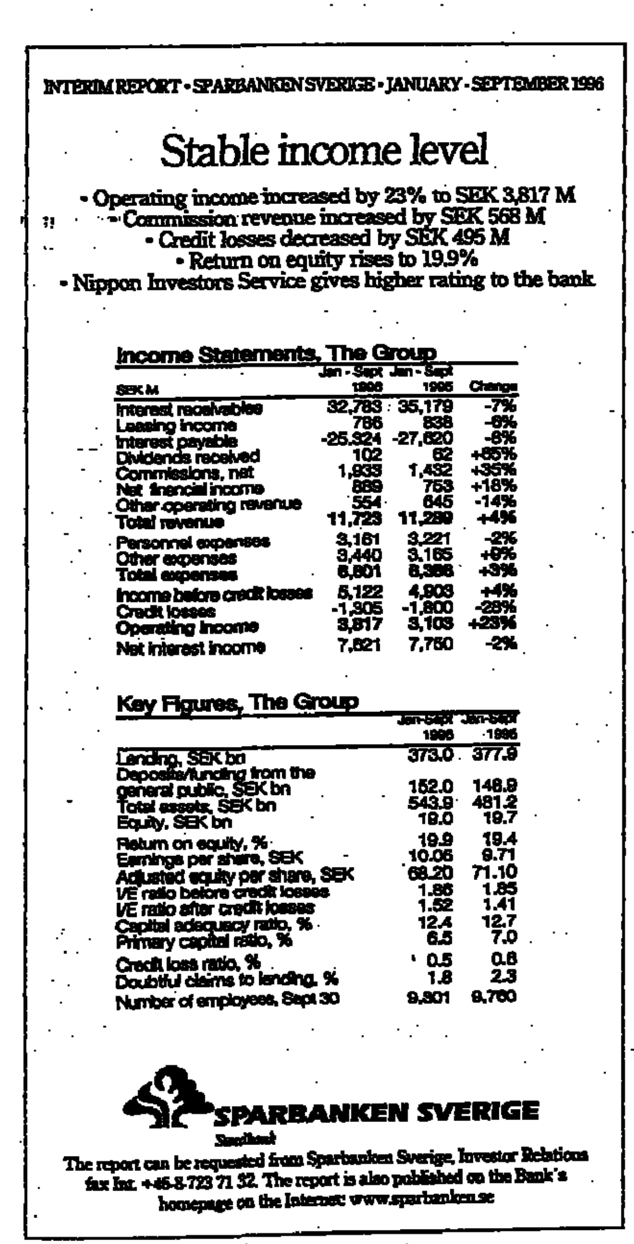
Provencesa, the cereal processing subsidiary of Venezuela's food and drinks group Polar, has been authorised by the Venezuelan National Securities Commission to place 45bn bolivars ($95.5m) of commercial notes on the domestic market. On Thursday it issued the first 8bn bolivar tranche of 74-day paper. Provencesa's treasurer, Mr Jose Miguel Carballo, said 30bn bolivars of the zero-coupon bonds would be placed before the end of the year to finance the purchase of crops. *Raymond Colitt, Caracas*

Loewen up 67% in third term

Loewen, the Vancouver-based North American funeral homes group fighting a takeover offer from the US Service Corp International, posted third quarter earnings of C$47.3m (US$35.5m), or 25 cents a share, up 67 per cent from C$28.8m, or 20 cents, on fewer shares outstanding a year earlier. Revenues were C$231m, up 51 per cent. Nine months earnings were C$141.8m, or 84 cents a share, up 51 per cent from C$93.3m, or 82 cents, on revenues of C$648m, up 54 per cent. *Robert Gibbens, Montreal*

Molson market share declines

Molson Breweries, owned 40 per cent each by Molson Companies and Foster's of Australia and 20 per cent by Miller of the US, said its Canadian market share continued to slip in the first half of fiscal 1997 from 46.7 per cent to 46.1 per cent because of shifting consumer tastes in Quebec and British Columbia. But price increases and lower financial charges brought net profit to C$123m (US$92.4m), up from C$121m a year earlier on sales little changed at C$1.18bn. Second quarter profit was C$63.6m against C$60.6m. *Robert Gibbens*



INTERIM REPORT · SPARBANKEN SVERIGE · JANUARY - SEPTEMBER 1996

Stable income level

- Operating income increased by 23% to SEK 3,817 M
- Commission revenue increased by SEK 568 M
- Credit losses decreased by SEK 495 M
- Return on equity rises to 19.9%
- Nippon Investors Service gives higher rating to the bank

Income Statements, The Group

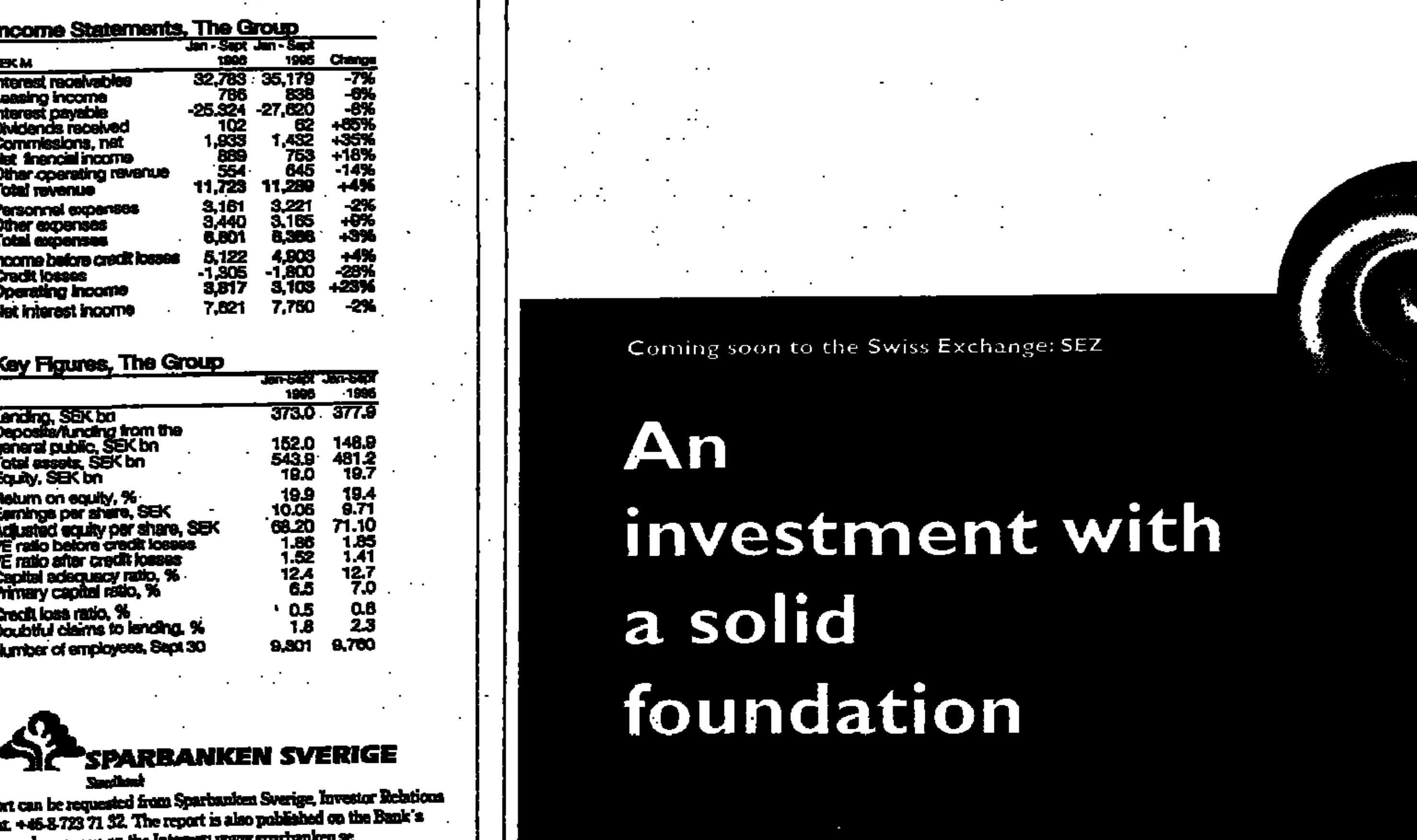
SEK M	Jan - Sept 1996	Jan - Sept 1995	Change
Interest receivables	32,783	35,179	-7%
Leasing income	796	838	-5%
Interest payable	-25,324	-27,620	-8%
Dividends received	102	62	+65%
Commissions, net	1,933	1,432	+35%
Net financial income	889	753	+18%
Other operating revenue	554	645	-14%
Total revenue	11,723	11,289	+4%
Personnel expenses	3,161	3,221	-2%
Other expenses	3,440	3,165	+9%
Total expenses	6,601	6,386	+3%
Income before credit losses	5,122	4,903	+4%
Credit losses	-1,305	-1,800	-28%
Operating income	3,817	3,103	+23%
Net interest income	7,821	7,760	-2%

Key Figures, The Group

	Jan - Sept 1996	Jan - Sept 1995
Lending, SEK bn	373.0	377.9
Deposits/funding from the general public, SEK bn	152.0	148.9
Total assets, SEK bn	543.9	481.2
Equity, SEK bn	19.0	19.7
Return on equity, %	19.9	19.4
Earnings per share, SEK	10.05	9.71
Adjusted equity per share, SEK	68.20	71.10
I/E ratio before credit losses	1.88	1.85
I/E ratio after credit losses	1.52	1.41
Capital adequacy ratio, %	12.4	12.7
Primary capital ratio, %	6.5	7.0
Credit loss ratio, %	0.5	0.6
Doubtful claims to lending, %	1.8	2.3
Number of employees, Sept 30	9,801	9,760

SPARBANKEN SVERIGE

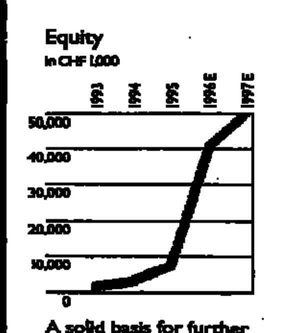
The report can be requested from Sparbanken Sverige, Investor Relations fax int. +46-8-723 71 32. The report is also published on the Bank's homepage on the Internet: www.sparbanken.se



In mid-November the registered shares of SEZ Holding AG, Zurich, will be floated under the lead of Bank J.Vontobel & Co AG and listed on the Swiss Exchange.

Technological exclusiveness

In a very short time SEZ has developed into a world-class supplier to the microchip industry. SEZ is an international technology leader in the field of wet etching. The Spin Etch Technology developed by SEZ has been patented worldwide. The SEZ Group ensures its long-term success by combining unique know-how with the development of new production processes for the semiconductor industry.



A solid basis for further development: equity ratio of over 80% after the IPO.

SEZ

1986: founded by Egon Putzi and Franz Sumnitsch, the current CEOs, to develop an innovative wet etching process for the semiconductor industry.

1996: Operational headquarters in Villach (Austria), with subsidiaries in the UK and USA, a joint venture in Japan and strategic alliances in Taiwan, Korea and Singapore.

Sales: CHF 43.1 million; net income: CHF 6.8 million; equity ratio after IPO: over 80%.

1997: Quantum leap in growth: sales up 60%, net income up 95%.

To obtain full information, order the SEZ company portrait from: SEZ AG, Monika Kraker, Draubodenweg 29, 9500 Villach, Austria, Phone +43 4242 204, or Bank J.Vontobel & Co AG, Karin Ottl, Bahnhofstrasse 3, 8022 Zurich, Switzerland, Phone +41 1 283 71 60

Kwik Save to invest £300m in restructure

By Peggy Hollinger

Kwik Save plans to cut 1,900 jobs and invest more than £300m ($489m) in one of the most extensive restructurings ever undertaken by a UK food retailer.

Details of the restructuring were unveiled yesterday as the food discounter announced a sharp drop in pre-tax profits from £125.5m to £2.8m because of an £87.5m exceptional charge. It also surprised the market with a maintained dividend, fuelling a 17¼p rise in the shares to 321½p.

Mr Graeme Bowler, chief executive, said he was aware of the scale of the task the company was taking on. Following an eight month, £4m review by Andersen Consulting, Kwik Save has decided to close 107 stores, revamp the rest of its 872 outlets, introduce a new own label product range and replace 75 per cent of its business systems – all within the next three years.

The company would bear the costs through some £220m in capital spending over that period and in the £87.5m charge.

"We are prepared for the fact that it will not be easy," Mr Bowler said. "We do not want to raise any expectations." However, he said the moves were necessary to meet the challenges of a fiercely competitive market.

The extent of the group's problems was spelled out in its annual results yesterday. Although total group turnover was up by 8.8 per cent to £3.5bn, like-for-like sales were up just 0.3 per cent in value terms, on price inflation of 2.5 per cent. New stores contributed 3.5 per cent to the overall sales improvement, while an extra week in the 1995-96 accounting year added 1.9 per cent to sales growth.

Analysts welcomed the group's initiatives, but were sceptical about whether it would be able to manage the scale of change required. "That is arguably the most full agenda for a food retailer I have ever seen," said one.

"We are being asked to believe in a Lazarus-like recovery and it does not ring true to me."

Furthermore, even though the changes were necessary, many felt they were being implemented too late.

"Time is not on their side," said Mr Tony McNeary of NatWest Securities. "Margin pressures remain severe ... and they cannot afford to do very much on price."

However, the group's 29 per cent shareholder, Dairy Farm International, yesterday backed the moves and said the review would address Kwik Save's shortcomings. Dairy Farm will take a loss of $12m from Kwik Save's drop in profits. Analysts speculated that the hit may prompt management to reconsider its holding in the UK discount retailer.

Brendan Corr

Graeme Bowler: 'It will not be easy - we do not want to raise any expectations'

LEX COMMENT

Kwik Save

There was one obvious quick fix for Kwik Save, but the food retailer has chosen a more risky solution to its strategic dilemma. Kwik Save is sandwiched between a rock and a hard place, namely the giant superstores and the pure discount stores. The obvious solution would be to attract a buyer from among the European discounters which are snapping at its heels. Kwik Save's high street presence and buying muscle should be attractive to Aldi or Netto, which lead the pile-'em-high, sell-'em-cheap class of retailing. They might not pay a significant premium. The value of Kwik Save's 107 weakest stores is minus £88m, according to its restructuring. But it could at least have tried to find a profitable solution.

Instead, Kwik Save plans to retain its discount reputation, while offering a supermarket look, throwing £300m at a business revamp over the next two years. This will depress short-term profits. Furthermore, since the superstores offer big discounts and also five times as many products, Kwik Save's competitive edge could remain fairly blunt. Own label branding does not look like the answer, given its discount image. And recent initiatives, such as the Shoprite buy, do not inspire confidence.

The risk is that Kwik Save ends up as a discount-oriented version of Somerfield. With Somerfield trading at a 50 per cent discount to the market on a p/e basis – double Kwik Save's – the comparison is hardly reassuring.

Shaftesbury buys Carnaby Street

By Simon London, Property Correspondent

Carnaby Street, the London shopping street synonymous with 1960s style, is being acquired by Shaftesbury, the property company which specialises in tourist and leisure areas of the West End.

Shaftesbury is paying £90m ($147m) – against a guide price of £69.5m – for the estate of 93 shops and office buildings.

The properties are being *sold* by Wereldhave, the Dutch property group which acquired Carnaby Street in 1988 as part of its £280m takeover of Peachey Properties.

The deal substantially increases Shaftesbury's portfolio only four months after it raised £30m through a rights issue to buy a block of 20 nearby properties.

Mr Jonathan Lane, chief executive, said the acquisition of Carnaby Street would be financed through a mix of debt and equity.

Analysts anticipated a further rights issue of up to £40m next month when Shaftesbury announces preliminary results. The shares rose 1p to 156½p, compared with July's rights issue price of 125p.

Shaftesbury has established itself as one of the most highly-rated UK property companies by concentrating on fashionable areas of London such as Covent Garden and Chinatown, where it is the dominant landlord.

Carnaby Street was London's most fashionable shopping street in the 1960s but has lost much of its allure. Mr Lane said Shaftesbury would work closely with its 240 new tenants to restore the street's reputation.

"We are not planning any great building or development. But we will gradually change the mix of tenants and the feel of the place," he said.

The company has a reputation as a hands-on manager, partly because of Mr Lane's daily habit of touring the company's estate on foot.

Roughly half the £6m annual rent generated by the Wereldhave properties comes from office tenants. In Chinatown, Shaftesbury has reduced the office component to less than 10 per cent by encouraging shops and restaurants to expand into upper floors.

Shaftesbury already owns 11 buildings in Carnaby Street. Mr Lane said that rents were rising but remain below Covent Garden.

Costain suspended ahead of coal deal

By Andrew Taylor, Construction Correspondent

Shares in Costain, the UK construction group, were suspended yesterday pending an announcement shortly on the sale of its remaining US coal interests.

The company, whose shares were suspended at 46p, was rescued in a £73.6m ($120m) refinancing in August. The deal left Intria, a Malaysian construction company, with a 40 per cent stake.

Dr Azman Firdaus Shafii, vice-chairman of Intria, and deputy chairman of Costain, said yesterday that he hoped the coal business would be sold by the end of this year.

Zeigler Coal Holdings, the fourth largest US producer, and Mapco, a US energy group, have been mentioned as potential buyers for the Kentucky-based operations.

The business was put back on the market in July, after Lonrho decided not to proceed with a purchase for about £50m. Costain is thought to have reduced its price expectations.

Coal made operating losses of £2.8m in the first half of this year, against a £700,000 profit. Group pre-tax profits almost doubled from £10.4m to £19.2m.

Net debt fell from £101.3m at the end of June to £28m, after the refinancing, which left shareholders funds of £23.5m. The sale of the coal business would leave the group with net cash.

Dr Azman told Intria's annual meeting: "We want to restructure Costain, divest its coal business and put it on a path of recovery. We will never accept anything less than that."

Costain would refocus its operations on its civil engineering and construction business, he said. The plans were supported by Costain's other main shareholders, Kharafi of Kuwait, which has a 25.2 per cent stake, and Raymond International of Saudi Arabia, which owns another 12.1 per cent.

Mayflower to pay $165m for SCSM

By John Griffiths

Mayflower, the UK automotive engineering group, is to become the fourth largest independent vehicle body pressings company in the US through the acquisition of West Virginia-based SCSM for $165m.

SCSM, with 700 employees and based at South Charleston, has been consistently profitable, making £13.7m ($22.3m) at the operating level on sales of £106m last year.

Its activities will be integrated with those of Mayflower Vehicle Systems – the group's existing vehicle body engineering and manufacturing subsidiary near Detroit – to provide Mayflower with the capability to produce complete bodies for US vehicle makers.

Under the terms of the deal, Mayflower is paying $137.2m cash and assuming debt of $27.8m. It is being financed by additional bank borrowings of $80m, and by the issue of 32.8m new shares to raise a net £38.2m.

The shares, underwritten by BZW, are being conditionally placed with institutional investors at 126p each, subject to a 3-for-20 open offer.

Some analysts, however, questioned why BZW did not follow the trend set by Schroders and Kleinwort Benson in recent offerings by putting the sub-underwriting out to competitive tendering.

Mr Khalid Rahim, managing director of BZW corporate finance, pointed out it had been involved in developing the technique, but said it was not appropriate in this case because the underwriting was relatively small and the share issue was finely priced with a narrow discount *to* Mayflower's share price yesterday.

It rose 8p to close at 143p yesterday.

It is also expected to act as a springboard for Mayflower to follow the big North American vehicle makers to their rapidly expanding manufacturing operations in Latin America.

The acquisition of privately-owned SCSM represents a swift resumption of Mayflower's expansionary course after its $250m bid for another US parts group, Pullman, was trumped by US multinational, Tenneco, several months ago.

Mr John Simpson, Mayflower's chief executive, said yesterday he expected no impediments to the deal being finalised by Mayflower shareholders on December 2.

The address is Manchester.

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Boots defends threatened medicine price guarantees

By Christopher Price

Executives from Boots used yesterday's interim results to mount a staunch defence of resale price maintenance – while asserting its own sales would be little affected if the price guarantees on certain non-prescription medicines were removed.

Lord Blyth, chief executive, warned that the abandonment of RPM – referred to the restrictive practices court – would lead to "many closures" among community pharmacies. He said only 3 per cent of retail revenues would be affected at Boots the Chemist, Britain's biggest pharmacy chain.

However, ABN Amro Hoare Govett said it believed at least 13 per cent of Boots the Chemists sales could be affected. "Although price competition would probably affect only some product ranges if RPM were abolished, the high growth margins of many of these could cause a disproportionate impact on profitability," the broker said yesterday.

Boots' remarks came as it unveiled a 9 per cent rise in half-year pre-tax profits, before exceptionals, from £218.7m to £239.2m ($389.9m). Turnover rose 12 per cent to £2.12bn.

The results were heavily influenced by a hectic six months of corporate activity, which saw the sale of Childrens World for £62.5m to Storehouse, the receipt of an initial £10m payment from WH Smith for taking on its share of Do It All, a £300m share buy-back, and the £115m purchase of Laboratoires Lutsia.

There was also a rise in costs following the decision to test-market Boots the Chemists stores abroad. Pretax profits of £256m included a £15m profit from the Childrens World disposal.

Net cash fell by £409m to £116.9m following the share buy-back. Lord Blyth said the group had considered various retail acquisitions in the UK, but had concluded that the best strategy was one of organic growth.

NEWS DIGEST

RTZ-CRA ready for coal boom

RTZ-CRA, the Anglo- Australian mining group, is ready to spend $400m to expand its coal operations in Colombia to take advantage of a boom in European coal imports it expects.

In December it paid $36m for 75 per cent of Oreganal, which holds a 28-year lease from the Colombian government on recoverable reserves of 130m tonnes of high quality, low sulphur coal in the Cerrejón Basin, and has an option on the rest.

Mr Leon Davis, deputy chief executive, said yesterday at a meeting with the Association of Mining Analysts in London, that RTZ-CRA was carrying out a feasibility study with a view to investing $400m "towards the end of 1997". That depended on the group being able to establish a safe working environment in Colombia.

Mr Davis said his group expected to see substantial growth in internationally traded coal in Europe as Germany, Spain and Poland followed France's and the UK's lead in eliminating domestic coal subsidies. "By positioning ourselves in Colombia we will be ready to take advantage of this when it occurs."

RTZ-CRA last month revealed plans to double output at its US coal mines by 2005. Yesterday Mr Davis said plans were also in place to lift annual output from the group's coal mines in Australia and Indonesia by 25 per cent, from 39m to 48m tonnes, and there could be an additional 40m tonnes from "greenfield" projects. *Kenneth Gooding*

Discovery delays reply

Discovery Petroleum, the Australian-based oil and gas group which is facing a revised A$106.5m ($84.1m) offer from Britain's Premier Oil, has again told shareholders not to accept the terms, but to await the decision of Oil Search, its 10.1 per cent shareholder.

Oil Search, the Australian energy group, acquired its shares in Discovery after Premier announced its initial bid. Yesterday, Discovery said Oil Search had completed a review of the same valuation material made available to Premier. "Oil Search's managing director has said that Oil Search's intentions will be made known shortly," Discovery said.

Shares in Discovery, however, edged only 1 cent higher yesterday, to 80 cents – directly in line with Premier's cash terms. Oil Search shares closed 3 cents higher at A$2.05.

● Snyder Oil of the US and Soco International, which each have a 32.6 per cent stake in Australia's Command Petroleum, the independent oil exploration and production company, have accepted Cairn Energy's share offer valuing Command at A$365m ($288.7m).

Nikki Tait in Sydney

Great Western in talks again

Great Western Resources saw its shares rise 3p to 16½p yesterday, valuing the lossmaking US-based oil and gas company with a London listing at about £18.5m, after it said for the second time in five weeks that it was in talks with a US company that could lead to a merger.

It said yesterday that it had received an unsolicited proposal that would involve the acquirer paying 18p a share, split half in cash and half in shares.

GWR last month said it had been talking to a US energy group.

Bodycote rights for Swedish buy

By Tim Burt

Bodycote International, the metal technology and safety products group, has announced its largest acquisition to date with the SKr625m ($93.7m) takeover of Bruken, the Swedish heat treatment group, to be funded by a £119.9m rights issue.

As with the recent £220m rights at the Stakis hotel group, Bodycote's financial advisers – Kleinwort Benson – said they would try to reduce the fees through more competitive tendering among sub-underwriters. Whereas Stakis's advisers offered about a third of the sub-underwriting issue to competitive tender, Kleinwort Benson said more than half of the Bodycote issue would be put out to tender.

The initiative is part of a drive by investment institutions to avoid the existing system of fixed underwriting fees being referred to the Monopolies and Mergers Commission. The move should reduce Bodycote's underwriting fees by more than £700,000 – making a saving of almost 30 per cent.

Under the terms of the 1-for-3 issue, Bodycote is issuing 19.99m new ordinary shares at 600p. Half the proceeds will be used to fund the acquisition and the remainder to wipe out Bodycote's borrowings, including £39.1m debt assumed from Bruken.

The purchase will make Bodycote one of Europe's leading heat treatment businesses. Once it has been completed, early next year, heat treatment – a process used to strengthen metal components – could account for more than half of Bodycote's profits.

Bodycote, which has already spent £28m on acquisitions in the past 12 months, hopes to make further bolt-on acquisitions.

In the medium term, however, it expects to concentrate on integrating Bruken's plants in Germany and the Netherlands with its existing factories.

Bruken last year reported pre-tax profits up from SKr45.8m to SKr87.8m on increased sales of SKr446.1m (SKr341.9m).

Bodycote's shares yesterday rose 31½p to 742½p.

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Yangming Marine Transport Corporation
(Incorporated with limited liability in Taiwan, Republic of China)
Notice to the holders of the outstanding
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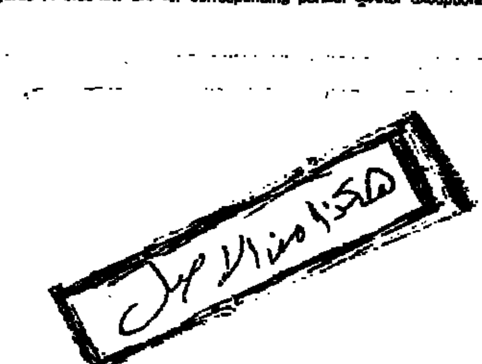
of
Yangming Marine Transport Corporation
(the "Company")
NOTICE IS HEREBY GIVEN to the holders of the Bonds that the Company has announced a stock dividend of NT $0.7 per share with a record date 7th November, 1996. In accordance with the provisions of the Indenture constituting the Bonds, the Conversion Price has been adjusted from NT $30.37 per share to NT $28.4 effective on 7th November, 1996. No conversion will take place during 3rd November, 1996 to 7th November, 1996.
8th November, 1996 Yangming Marine Transport Corporation

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
AG	Yr to July 31	29.3	(27.2)	3.45	(3.03♥)	12	(10.8)	3.75	Jan 3	3.5	6	5.75
Aon St Brewery ◆	6 mths to July 28	46.1	(39.5)	4.26	(3.36)	27.53	(21.01)	8	Dec 16	5	-	18.52
Bibby (J)	Yr to Sept 28	784.9	(735.8)	42.8	(22.9)	16.93	(12.07)	5.5	Jan 31	4	7.5	5.75
Boots	6 mths to Sept 30	2,133	(1,940)	256♥	(227.8♥)	19.1‡	(15.9)	6.2	Feb 7	5.7	-	18.5
Burton	Yr to Aug 31	2,007	(1,879)	151.6	(86.6♥)	7.3†	(5.2)	1.85	Feb 21	1.2	2.8	2.2
CI Comms (TV)	6 mths to Sept 30	5.05	(4.51)	0.853	(0.649)	4.01	(3.64)	1.5✱	Jan 30	1.25	-	3.25
Cullen's	6 mths to Aug 25	4.62	(2.45)	0.085♥	(0.132♣)	0.18	(0.47)	-	-	-	-	0.5
Hambro Insurance	6 mths to Sept 30	50.2	(41.2)	4.53	(3.03)	3.76	(2.75)	1.85	Dec 18	1.85	-	5.55
Kwik Save	53 wks to Aug 31	3,254	(2,992)	2.8♣	(125.5♣)	14.61L	(51.68)	14.05	Jan 9	14.05	20	20
Porter Chadburn	6 mths to Sept 27	36.5	(37.8)	2.28	(2.12)	1.85†	(1.75)	0.25	Jan 8	nil	-	nil
Smart (J)	Yr to July 31	17.2	(17.6)	2.84	(3.44♥)	27.46	(23.14)	6.9	Dec 23	6.5	9.4	9
Somic	6 mths to Sept 30	2.37	(2.18)	0.115	(0.077)	3.86	(2.6)	1.25	Feb 6	1.25	-	3
Staveley Inds	6 mths to Sept 28	199.1	(174.2)	10.2	(8.1♣)	6.7	(5.3)	2.5	Jan 7	2.3	-	9
SWP	Yr to June 30	9.81	(8.35)	0.909L♣	(0.645L♣)	1L1	(1.3L)	nil	-	nil	nil	nil
Utility Cable	Yr to Aug 31	97.6	(79.5)	7.13♥	(5.04)	3.63	(2.41)	0.49	Feb 7	0.39	0.76	0.64
Warner Howard	6 mths to Aug 31	13.9	(13)	3.95	(3.57)	10.94	(10)	3.5	Jan 8	3.15	-	9
Yates Brothers	6 mths to Sept 29	34.4	(29.2)	4.26♥	(3.19)	8.1	(5.8)	1.44	Feb 11	1.2	-	3.6

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Lmit	6 mths to Sept 30	118.9	(105.7)	8.05	(4.77)	2.16	(1.7)	1.75	Jan 31	1.1	-	3.4

Earnings shown basic. Dividends shown net except ✱Gross throughout. Figures in brackets are for corresponding period. ♣After exceptional charge. ♥After exceptional credit. ◆Aim stock. ‡On reduced capital. †On increased capital.



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Rise in yen sends US Treasuries lower

GOVERNMENT BONDS

By Richard Adams and Ramraj Gogna in London and Richard Waters in New York

A sharp rise the value of the Japanese yen against the dollar contributed to weakness in the US Treasuries market, in turn undermining higher-yielding European markets. UK gilts underperformed, with yields on 10-year paper rising their Italian equivalents.

Mr Eisuke Sakakibara, a Japanese ministry of finance official known in some financial circles as "Mr Yen", was quoted as saying the dollar's recovery was about to end, and that the ministry of finance was not trying to push the yen down further.

December Japanese government bond futures contracts changed hands on the Tokyo exchange at 124.75, but fell to 124.70 in trading on Liffe, the London financial futures exchange.

In the cash market, yields on the 10-year benchmark No 182 bond rose from 2.50 per cent in Tokyo to 2.61 per cent. The price fell to 102.98, from 103.66.

One dealer at a London bank said the shift in the yen's value would hurt yen-dollar swaps, where investors borrowed in yen to buy dollars and invest in Treasuries, benefiting from the higher US interest rates and widening exchange rate.

"What is nerve-wracking is that whenever the dollar backs up, people get worried. If those trades do get unwound, that means selling of Treasuries and more selling of dollar/yen," he said.

The dollar traded above Y114.60 on Wednesday after the US election, but had sunk to around Y111.70 by yesterday in London.

In the US, Treasury prices slipped yesterday morning in New York after the US dollar had taken a beating on the foreign exchanges overnight. The comments attributed to Mr Sakakibara were at the root of the sell-off.

The long end of the yield curve was also weighed down by a pending auction of $10bn of 30-year bonds, which was due yesterday afternoon.

By midday in New York, with the dollar trading below Y111.50 and DM1.51, the benchmark 30-year Treasury bond was down ¾ at 101⅛. However, at 6.659 per cent, the yield remained near the bottom of its recent range.

The decline was felt across the yield spectrum. Two-year notes fell ⅛ during the morning to 100⅛, for a yield of 5.772 per cent. Seven-year securities lost ¼ to trade at 97⅞. The yield was 6.206 per cent.

The upheaval on the foreign exchanges overshadowed domestic economic data released during the morning. This revealed that unit labour costs in the US rose by an annualised rate of 3.7 per cent during the third quarter, up from 3.3 per cent and 1.5 per cent in the preceding two quarters.

The increase was due to a decline in recorded productivity growth: this rose by just 0.2 per cent during the latest three months, compared with 0.5 per cent in the second quarter and 1.7 per cent in the three months before that.

UK gilts continued to fall on the after-effects of Wednesday's inflation report, pushing the 10-year yield spread over bunds to an eight-month high of 195 basis points.

The fall in gilts helped benchmark Italian bonds close at a lower yield spread than gilts against bunds for the first time.

On the cash market the price of 10-year BTP bonds fell to 110.73 from 110.97, with the yield rising to 7.85 per cent from 7.82 per cent. Their spread against bunds fell to 193 basis points.

The December gilt future had fallen [illegible] by mid-day, before dipping even further to close at 108$\frac{9}{16}$, down $\frac{13}{16}$. Traders said concern over a possible interest rate rise had led to profit-taking.

In the cash market, the benchmark 10-year gilt softened $\frac{23}{32}$ to end the day at 98$\frac{15}{32}$, its yield rising by 11 basis points to 7.72 per cent.

Bond analysts remained divided over the direction of the market. "With almost 200 basis points between gilt and bund yields, there will be some serious buying of gilts," said Mr Nigel Richardson at Yamaichi in London. "But they could experience worse in the short term."

Others agreed gilts had hit a low point, but said only a tight budget this month could provide support.

Canadian Wheat Board opts for NZ dollar deal

INTERNATIONAL BONDS

By Samer Iskandar

The flow of new bonds in New Zealand dollars, although small in terms of total amount, shows no signs of relenting. Forty-five issues have been launched so far this year – only 17 bonds existed at the beginning of January.

Market conditions have favoured both borrowers and investors. Issuers face strong demand, due to the lack of supply following the government's decision, earlier this year, to scale down its borrowing programme.

Demand from foreign investors is also buoyant, as yields are higher than in most so-called dollar bloc markets. Issuance by foreign borrowers has also been favoured by high swap spreads, which make for an attractive final cost once the funds are converted into US dollars – or the issuer's domestic currency.

The Canadian Wheat Board yesterday chose this sector to mark its return to the euromarket, after an absence of 2½ years.

Lead manager Toronto-Dominion Bank said demand was split between fund managers from France, Germany and Switzerland, attracted by the issuer's zero risk weighting, and Canadian investors hungry for yield.

The bonds are an "eligible investment" in Canada, which makes them accessible to retail investors and suitable for pension plans.

Toronto-Dominion also pointed to the 7½ per cent coupon, compared with Canadian one-year T-bill yields below 3¼ per cent.

Elsewhere, Mexico launched its expected issue of five-year floating-rate notes in Italian lire – the country's first diversification from the mainstream dollar, D-Mark and yen markets.

Lead manager Deutsche Morgan Grenfell said the launch was "a success and was completely sold out". It also said that with a yield margin of 210 basis points over Libor, the cost to Mexico was 50 basis points cheaper than on recent D-Mark and yen issues.

Deutsche said the decision to set a floating coupon was dictated by the nature of the product. "The combination of an emerging markets borrower and the Italian market as a benchmark made this a doubly volatile deal," it said.

Floating-rate notes are less volatile than fixed-income bonds because when the market moves, it is the coupon that adjusts to the new conditions rather than the price of the bonds.

The French franc sector saw issues by Halifax Building Society and the European Investment Bank, which launched the first "collared Tec-10 bond". The coupon is linked to the recently-created Tec-10 yield index of 10-year bonds. The collar – a combination of a cap and a floor – maintains the coupon within a range of 4.5 to 7.5 per cent. Lead manager Société Générale said although the 10-year area of the yield curve had seen heavy issuance in recent weeks, demand for Tec-10 bonds was still "enormous", due to their rarity.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Korea Development Bank(i)	500	6.625#	99.528R	Nov 2003	0.325R	+49(i)	Merrill Lynch/JP Morgan
Strategic Money Mgmt(a)‡	467	(a1)	100.00	May 1999	none	-	JP Morgan
Lehman Brothers Hldgs(b)‡	100	(b1)	99.80R	Nov 2000	0.325R	-	Lehman Brothers Intl
Sparebanken Vest(c)‡	50	(c1)	99.50R	Dec 2006	0.65R	-	Chase Manhattan Intl
SBN Bank(d)‡	50	(d1)	99.35R	Dec 2004	0.50R	-	Morgan Stanley & Co Intl
Banco Bradesco	50	7.80#	99.947R	Nov 1999	0.625R	+190(5⅝%-99)	ING Barings
YEN							
NTT Mobile Comm★	10bn	2.25#	100.00	Nov 2002	0.25	-	Fuji Intl Finance
FRENCH FRANCS							
Halifax Building Society	2bn	5.50	99.654R	Dec 2003	0.325R	+16(i)	Crédit Agricole
European Investment Bank‡	1.5bn	(e)	100.00R	Dec 2006	0.325R	-	Société Générale
ITALIAN LIRE							
United Mexican States‡	500bn	(f)	99.60R	Nov 2001	0.50R	-	Deutsche Morgan Grenfell
Crediop Overseas Bank‡	300bn	(g)	99.90R	Dec 2001	0.10R	-	San Paolo, Turin
World Bank(h)	300bn	zero	48.875	Dec 2006	1.875	-	BCI/JP Morgan
CANADIAN DOLLARS							
CCDQ	100	5.75	99.40R	Dec 2002	0.30R	+49(7%Sep01)	TMI/Toronto-Dominion
NEW ZEALAND DOLLARS							
Canadian Wheat Board	100	7.50	100.985	Nov 1997	1.125	-	Toronto-Dominion Bank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Collateralised by an equity portfolio. Six tranches: $120m, DM160m, Fl 60m, SFr127m, £37m, C$27m (based to BA's). a1) 3-mth Libor +8¼bp. b) Fungible with $250m. Plus 15 days accrued. b1) 3-mth Libor +37½bp. c) Callable from Dec 01 at par. c1) 3-mth Libor +70bp to Dec 01, then +145bp. d) Callable from Nov 01 at par. d1) 3-mth Libor +75bp to Nov 01, then +225bp. e) Tec-10 –142bp; min 4½%, max 7½%. f) 3-mth Libor +200bp. g) 6-mth Libor flat. h) L500bn launched Tuesday was increased to L800bn. Callable on 6/12/01 at 68.05%. i) Over interpolated yield. j) Long 1st coupon. s) Short 1st coupon.

CAPITAL MARKETS NEWS DIGEST

Peru set to sign Brady agreement

The Peruvian government will today sign the master accord for its Brady debt rescheduling agreement, paving the way for the closure of the deal next month. Mr Jorge Camet, the economy and finance minister, said that 60 per cent of Peru's creditors had agreed to accept so-called front-loaded interest reduction bonds (Flirbs), one of three classes of Brady bonds being offered in exchange for the principal of the original commercial debt.

Flirbs pay a low fixed rate during the first 10 years then revert to a floating rate for the rest of their life. Some 20 per cent of bank creditors accepted par bonds (which pay lower than market interest rates throughout their life) and a further 20 per cent discount bonds (created by converting the old distressed commercial debt into the new bonds at a discount to face value).

Additionally, Peru has spent $759m to buy back $1.27bn of debt paper at $0.60 cents on the dollar in the secondary market, Mr Camet said. A decree published on Wednesday in Peru's official gazette authorises Mr Camet to spend up to $960m on buying back debt. He has authorisation for another $225m to settle overdue interest.

The 1997 budget presented by the economy ministry to congress estimates payments of $215m to creditor banks within the Brady framework; another $569m will go to servicing the rescheduled Paris Club debt.

The price of Peruvian commercial bank debt traded on the secondary market has risen by more than 50 per cent this year, partly in anticipation of the deal. Peruvian Bradys have been trading on a "when-and-if" basis since the summer. Traders reported increased interest in the paper over the last couple of days, with prices of bonds issued in exchange for "past due interest" rising by nearly 2 per cent.

Sally Bowen, Lima and Richard Lapper, London

Frankfurt exchanges cut fees

Frankfurt's stock and futures exchanges will exempt European securities houses outside Germany from communications fees, the body which runs the exchanges said yesterday. The move is part of Deutsche Börse's plans to increase its competitiveness against rival markets in the run-up to European economic and monetary union.

The exemptions will apply to those using the DTB, the German futures exchange, and IBIS, the Frankfurt stock exchange's electronic trading system, for the next two years, Mr Jörg Franke, a member of executive board, said yesterday. According to the exchange, these fees, paid on data transmission lines used to access the trading systems, amount to between DM9,000 and DM13,000 a month.

The DTB will next week start trading a one-month euromark contract. The product was launched as a direct attack on the London International Financial Futures Exchange – currently the leading market for these products – which will start trading a similar contract on November 21.

Samer Iskandar

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.750	11/06	96.0380	–0.900	7.31	7.41	7.83
Austria		5.875	07/06	99.1200	–0.010	5.99	6.07	6.05
Belgium		7.000	05/06	106.6200	–0.080	6.06	6.12	6.24
Canada *		7.000	12/06	105.6200	–0.330	6.24	6.45	7.14
Denmark		8.000	03/06	107.6000	–0.320	6.87	6.87	6.93
France	BTAN	5.500	10/01	102.8311	–0.090	4.86	4.96	5.20
	OAT	6.500	10/06	104.4800	–0.130	5.90	5.97	6.12
Germany Bund		6.250	04/06	102.3000	–0.060	5.92	6.00	6.10
Ireland		8.000	08/06	107.5000	–0.450	6.92	6.94	6.98
Italy		9.500	02/06	110.7300	–0.240	7.85†	8.13	8.44
Japan	No 140	6.600	06/01	121.8239	–0.670	1.61	1.49	1.77
	No 182	3.000	09/05	102.9791	–0.680	2.59	2.52	2.82
Netherlands		8.500	06/06	119.0400	–0.230	5.85	5.93	5.98
Portugal		9.500	02/06	113.9200	–0.080	7.38	7.57	7.90
Spain		8.800	04/06	108.0200	–0.160	7.55	7.79	7.94
Sweden		6.000	02/05	91.9268	–0.290	7.32	7.31	7.37
UK Gilts		8.000	12/00	102–19	–11/32	7.25	7.11	6.94
		7.500	12/06	98–15	–23/32	7.72	7.62	7.66
		9.000	10/08	109–04	–22/32	7.81	7.73	7.79
US Treasury *		6.500	10/06	101–07	–17/32	6.33	6.38	6.68
		6.750	08/26	101–05	–33/32	6.66	6.68	6.92
ECU (French Govt)		7.000	04/06	105.0000	–	6.27	6.37	6.43

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	5.79
Prime rate	8¼	Two month	-	Three year	5.92
Broker loan rate	7	Three month	5.16	Five year	6.08
Fed.funds	5⅞	Six month	5.29	10-year	6.33
Fed.funds at intervention	-	One year	5.44	30-year	6.65

BOND FUTURES AND OPTIONS

France

NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	127.20	127.28	–0.10	127.32	127.08	124,222	192,705
Mar	127.18	127.24	–0.12	127.22	127.06	6,477	40,765
Jun	125.94	126.00	–0.12	125.94	125.94	2	7,028

LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Nov	Calls Dec	Calls Mar	Puts Nov	Puts Dec	Puts Mar
124	3.28	-	-	0.02	0.10	0.35
125	2.28	-	-	0.05	0.20	0.54
126	1.41	-	2.03	0.13	0.39	-
127	0.67	0.93	1.41	0.38	0.72	1.20
128	0.22	0.47	0.93	0.98	-	-

Est. vol. total, Calls 19,078 Puts 17,188. Previous day's open int., Calls 172,960 Puts 157,856.

Germany

NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	100.17	100.27	-0.06	100.44	100.10	181207	261750
Mar	99.23	99.27	-0.06	99.39	99.16	1616	19213

BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Dec	Calls Jan	Calls Feb	Calls Mar	Puts Dec	Puts Jan	Puts Feb	Puts Mar
10000	0.56	0.38	0.59	0.76	0.29	1.11	1.32	1.49
10050	0.29	0.23	0.42	0.57	0.52	1.46	1.65	1.80
10100	0.13	0.14	0.29	0.42	0.86	1.87	2.02	2.15

Est. vol. total, Calls 13335 Puts 18485. Previous day's open int., Calls 207920 Puts 205263

Italy

NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	125.42	125.46	-0.24	125.80	125.10	64234	94879
Mar	124.60	124.68	-0.23	124.70	124.40	482	4535

ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Dec	Calls Mar	Puts Dec	Puts Mar
12500	1.22	2.00	0.76	2.32
12550	0.90	1.76	0.94	2.58
12600	0.65	1.55	1.19	2.87

Est. vol. total, Calls 6308 Puts 5644. Previous day's open int., Calls 202199 Puts 178823

Spain

NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	108.95	108.86	–0.16	109.18	108.52	97,498	68,586
Mar	–	108.26	-	-	–	30	719

UK

NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	109-10	108-18	-0-26	109-11	108-16	84371	148722
Mar	108-05	107-25	-0-25	108-05	107-24	718	2237

LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Dec	Calls Jan	Calls Feb	Calls Mar	Puts Dec	Puts Jan	Puts Feb	Puts Mar
108	1-00	1-03	1-27	1-42	0-28	1-17	1-41	1-56
109	0-31	0-41	1-00	1-14	0-59	1-55	2-14	2-28
110	0-12	0-23	0-44	0-56	1-40	2-37	2-58	3-06

Est. vol. total, Calls 6151 Puts 3033. Previous day's open int., Calls 50417 Puts 29369

Ecu

ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	94.40	94.66	–0.06	94.66	94.40	2,114	7,916
Mar	-	94.22	–0.06	-	-	-	26

US

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	113–21	113–07	–0–13	113–23	112–29	364,785	401,342
Mar	113–06	112–25	–0–13	113–19	112–15	3,066	29,958
Jun	112–06	112–08	–0–13	112–09	112–06	3,457	8,352

Japan

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	124.79	-	-	124.90	124.66	2870	n/a
Mar	123.96	-	-	124.07	123.86	576	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FTSE Actuaries Govt. Securities — UK Indices

Price Indices UK Gilts	Thu Nov 7	Day's change %	Wed Nov 6	Accrued interest	xd adj. ytd
1 Up to 5 years (21)	120.95	–0.15	121.13	2.42	8.27
2 5-15 years (18)	148.63	–0.52	149.40	3.45	9.09
3 Over 15 years (8)	165.60	–0.79	166.91	4.04	9.83
4 Irredeemables (6)	191.60	–0.48	192.52	4.96	8.83
5 All stocks (53)	143.21	–0.43	143.83	3.19	9.03
Index-linked					
6 Up to 5 years (2)	202.16	–0.23	202.62	0.69	5.28
7 Over 5 years (10)	193.11	–0.51	194.10	1.54	4.17
8 All stocks (12)	193.02	–0.48	193.95	1.43	4.21

	Low coupon yield Nov 7	Nov 6	Yr. ago	Medium coupon yield Nov 7	Nov 6	Yr. ago	High coupon yield Nov 7	Nov 6	Yr. ago
5 yrs	7.32	7.23	7.31	7.37	7.30	7.32	7.43	7.35	7.41
15 yrs	7.90	7.82	7.97	7.91	7.82	8.02	7.93	7.85	8.10
20 yrs	7.97	7.91	8.03	7.97	7.88	8.07	7.98	7.91	8.13
Irred.†	8.00	7.96	8.14						

	Inflation 5% Nov 7	Nov 6	Yr. ago	Inflation 10% Nov 7	Nov 6	Yr. ago
Up to 5 yrs	3.25	3.19	3.06	2.61	2.55	1.97
Over 5 yrs	3.63	3.59	3.62	3.44	3.40	3.43

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Nov 7	Nov 6	Nov 5	Nov 4	Nov 1	Yr ago	High*	Low*
Govt. Secs. (UK)	93.36	93.22	93.76	93.37	93.66	93.35	96.34	91.59
Fixed Interest	115.20	115.38	115.38	115.25	115.32	111.64	116.45	110.74

Gilt Edged Activity Indices

	Nov 6	Nov 5	Nov 4	Nov 1	Oct 31
Gilt Edged bargains	133.1	132.9	129.1	100.9	98.3
5-day average	118.9	109.5	100.0	98.6	98.0

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FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on November 7

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	100	100¼	–⅜	6.49
ABN Amro Bank 7¼ 05	1000	102½	102¾	–⅜	6.88
African Dev Bk 7⅜ 23	500	100½	101⅛	–⅞	7.33
Alberta Province 7⅝ 98	1000	103	103¼	–⅛	5.98
Asian Dev Bank 6¼ 05	750	98	98¼	–⅜	6.66
Austria 8½ 00	400	106½	106¾	–⅛	6.19
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain 7¼ 03	4000	108¾	108⅞	+⅛	5.56
Volkswagen Intl Fin 7 03	1000	106⅛	106¼	–⅛	5.84
World Bank 5⅞ 03	3000	102¼	102⅜		5.48
World Bank 5⅛ 02	3000	104⅛	104⅜	–¼	5.26
World Bank 7⅛ 05	3000	107⅝	107⅞		5.94
SWISS FRANC STRAIGHTS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Abbey Natl Treasury 8 03 £	1000	100⅝	100¾	–⅛	7.86
British Land 8⅞ 23 £	150	94⅛	94½	–½	9.71
Denmark 6¾ 98 £	800	99½	99⅝	–⅛	7.03
Depfa Finance 7⅛ 03 £	500	96⅛	96⅜	–½	7.86
EIB 8 03 £	1000	101¾	101⅞	–½	7.64
Glaxo Wellcome 8¾ 05 £	500	103¼	103½	–⅝	8.22
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS

	Issued	Conv. Price	Bid	Offer	Prem.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or –	52 week High	52 week Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Other Fixed Interest

	Notes	Yield (1)	Yield (2)	Price £	+ or –	52 week High	52 week Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CURRENCIES AND MONEY

Yen signal pushes US dollar sharply lower

MARKETS REPORT

By Graham Bowley

The dollar fell sharply on the foreign exchanges yesterday after the Japanese Ministry of Finance signalled that it was no longer content with a weakening yen.

The US currency dropped against both the yen and the D-Mark, with some traders hailing the move as a decisive turning point marking the end of the dollar's rise.

However, some analysts thought the market's reaction was overdone. They questioned whether the Japanese authorities intended to cause such a sharp turnaround or whether they simply wanted to end the yen's decline.

The dollar's fall dragged the pound lower against the D-Mark. Sterling was also dogged by worries about a potential split over interest rates between the Treasury and the Bank of England and uncertainty over the exact message of the Bank's latest Inflation Report, published on Wednesday.

Worries that the yen's rally might cut off the source of cheap Japanese money – which traders said has been used to fund positions in European high-yielding markets – caused the Italian lira and Spanish peseta to weaken.

The dollar finished at Y111.765 against the yen, from Y113.8. It closed in London against the D-Mark at DM1.5078, compared with DM1.516 at the previous close.

The pound closed against the D-Mark at DM2.4829, from DM2.489, and against the dollar at $1.6467, from $1.642. Sterling's trade-weighted index closed at 90.9, from 91.1.

■ Pound in New York

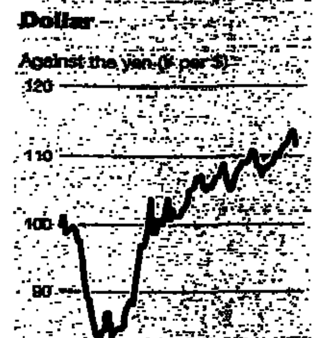
Nov 7	–Latest–	– Prev. close –
£ spot	1.6470	1.6415
1 mth	1.6459	1.6404
3 mth	1.6436	1.6381
1 yr	1.6301	1.6246

■ The Japanese Ministry of Finance amply displayed its power over world financial markets yesterday. Mr Eisuke Sakakibara, director general of the ministry's international finance bureau, was reported as indicating that the yen's downward correction against the dollar was nearing its end and that the Ministry of Finance was no longer trying to weaken the yen.

Mr Sakakibara dismissed the reports as exaggerated. But the incident was taken seriously by the markets since Mr Sakakibara was the person largely responsible for dragging the yen down from its post-war highs against the dollar last year.

His words left the foreign exchange market reeling as traders and analysts feverishly tried to work out what the implications were for the dollar and yen.

Interest rate markets had been put on alert when the Bank of Japan indicated on Wednesday that it was beneficial to have pre-emptive monetary policy. "This seems a sensible idea but it is odd given the context of a still weak economy," said Mr Tony Norfield, economist at ABN Amro in London.



But Mr Sakakibara's comments proved the bigger bombshell. "The signal is now being given that the end of yen weakness is here. It is very likely that the Y115 level which we saw in October is going to be the limit," said Mr Norfield.

Mr Mark Cliffe, economist at HSBC Markets in London, said: "They have given the impression that they want the yen stronger. But this is not quite what they wanted to achieve.

"But it underlines that the dollar's course will be influenced by the state of the Japanese economy."

He said when the Ministry of Finance finally became confident that the economy was growing it would raise interest rates which "will put a floor under the yen".

■ A whiff of controversy surrounded the Bank of England in the currency markets yesterday as analysts accused the Bank of double-speak following the publication of its latest inflation report on Wednesday.

The Bank said the pound's rally since the summer was temporary but at the same time said further interest rates were inevitable if the government wanted to meet its inflation target.

Mr Huw Roberts, strategist at NatWest Markets in London, said the Bank probably thought that further increases in short-term interest rates were already factored into sterling's rise.

He said the Bank used the pound's weakness as an argument for raising rates last spring. "But now it is arguing that the pound's strength will have no medium-term effect. This is contradictory and debases its credibility with the markets," he said.

■ OTHER CURRENCIES

Nov 7	£	$
Czech	44.2048 - 44.2615	26.8510 - 26.8740
Hungary	256.214 - 256.495	155.630 - 155.680
Iran	4941.00 - 4929.00	3000.00 - 3000.00
Kuwait	0.4919 - 0.4926	0.2986 - 0.2991
Poland	4.5261 - 4.5330	2.7480 - 2.7510
Russia	9011.85 - 9018.97	5474.00 - 5476.00
UAE	6.0460 - 6.0486	3.6728 - 3.6733

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POUND SPOT FORWARD AGAINST THE POUND

Nov 7		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.4709	-0.0455	608 - 809	17.5087	17.4041	17.4274	3.0	17.3709	2.3	-	-	104.8
Belgium	(BFr)	51.2075	-0.0596	604 - 546	51.4490	50.9640	51.0825	2.9	50.8175	3.0	49.6225	3.1	106.0
Denmark	(DKr)	9.5699	-0.0045	589 - 658	9.6158	9.5074	9.541	2.5	9.5004	2.5	9.3215	2.5	107.1
Finland	(FM)	7.4985	+0.0013	907 - 062	7.5160	7.4440	-	-	-	-	-	-	84.4
France	(FFr)	8.3947	-0.014	912 - 981	8.4212	8.3615	8.3757	2.7	8.3389	2.6	8.1584	2.8	108.8
Germany	(DM)	2.4829	-0.0058	815 - 842	2.4927	2.4739	2.4788	3.0	2.464	3.0	2.4076	3.0	108.2
Greece	(Dr)	391.631	-0.259	457 - 805	392.550	389.584	-	-	-	-	-	-	67.4
Ireland	(I£)	0.9976	-0.0012	969 - 982	1.0000	0.9940	0.9973	0.4	0.9963	0.5	0.9898	0.8	100.8
Italy	(L)	2496.71	+1.64	777 - 665	2503.44	2487.26	2502.51	-1.8	2510.01	-1.8	2514.51	-0.8	76.8
Luxembourg	(LFr)	51.2075	-0.0596	604 - 546	51.4490	50.9640	51.0825	2.9	50.8175	3.0	49.6225	3.1	106.0
Netherlands	(Fl)	2.7850	-0.0063	839 - 861	2.7951	2.7742	2.7778	3.1	2.7628	3.2	2.6981	3.1	105.1
Norway	(NKr)	10.4630	-0.0146	581 - 668	10.5252	10.3948	10.4505	1.4	10.4305	1.2	10.3255	1.3	99.7
Portugal	(Es)	251.287	-0.312	193 - 382	253.395	250.215	251.482	-0.8	251.852	-0.9	-	-	95.8
Spain	(Pta)	209.269	-0.167	162 - 418	209.715	208.278	209.454	-0.9	209.694	-0.8	209.891	-0.2	80.1
Sweden	(SKr)	10.9722	-0.0177	631 - 812	10.9815	10.9227	10.971	0.1	10.9683	0.1	10.9559	0.1	89.5
Switzerland	(SFr)	2.0888	-0.007	875 - 900	2.0974	2.0759	2.0812	4.4	2.0661	4.3	1.9994	4.3	108.1
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	90.9
Ecu	-	1.2975	-0.0009	968 - 981	1.3076	1.2923	1.2958	1.8	1.2912	2.0	1.2697	2.1	-
SDR†	-	1.137023	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6464	+0.0049	460 - 468	1.6517	1.6398	-	-	-	-	-	-	-
Brazil	(R$)	1.6947	+0.0076	939 - 954	1.6974	1.6881	-	-	-	-	-	-	-
Canada	(C$)	2.1924	+0.0075	912 - 936	2.2039	2.1843	2.1878	2.5	2.1764	2.9	2.1174	3.4	86.5
Mexico	(New Peso)	13.1041	+0.0766	930 - 151	13.1175	12.9941	-	-	-	-	-	-	-
USA	($)	1.6467	+0.005	463 - 470	1.6520	1.6400	1.6456	0.8	1.6434	0.8	1.6297	1.0	96.2
Pacific/Middle East/Africa													
Australia	(A$)	2.1018	+0.0304	004 - 032	2.1091	2.0742	2.1031	-0.7	2.1036	-0.4	2.1034	-0.1	92.3
Hong Kong	(HK$)	12.7323	+0.0373	287 - 358	12.7733	12.6815	12.725	0.7	12.7111	0.7	12.6485	0.7	-
India	(Rs)	58.7082	+0.1765	813 - 450	59.0460	58.5300	-	-	-	-	-	-	-
Israel	(Shk)	5.3334	+0.0058	273 - 394	5.3540	5.3189	-	-	-	-	-	-	-
Japan	(Y)	184.038	-2.796	941 - 135	187.110	183.320	183.148	5.8	181.268	6.0	173.256	5.9	130.0
Malaysia	(M$)	4.1482	+0.0057	465 - 499	4.1630	4.1318	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3329	+0.0288	315 - 342	2.3377	2.3074	2.3398	-3.5	2.3491	-2.8	2.3899	-1.6	111.1
Philippines	(Peso)	43.2411	+0.1464	495 - 326	43.3484	43.1389	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.1758	+0.0186	741 - 774	6.1955	6.1511	-	-	-	-	-	-	-
Singapore	(S$)	2.3094	-0.003	081 - 107	2.3218	2.2992	-	-	-	-	-	-	-
South Africa	(R)	7.7401	+0.0077	348 - 458	7.7793	7.7083	-	-	-	-	-	-	-
South Korea	(Won)	1363.84	+6.62	330 - 437	1367.53	1358.58	-	-	-	-	-	-	-
Taiwan	(T$)	45.2829	+0.0951	403 - 254	45.4069	45.0885	-	-	-	-	-	-	-
Thailand	(Bt)	41.9073	+0.0414	901 - 244	42.0710	41.7610	-	-	-	-	-	-	-

† Rates for Nov 6. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Nov 7		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan Index
Europe													
Austria	(Sch)	10.6100	-0.0597	061 - 138	10.6740	10.5720	10.5902	2.2	10.55	2.3	10.3555	2.4	104.7
Belgium	(BFr)	31.0980	-0.13	760 - 200	31.2570	30.8160	31.038	2.3	30.9105	2.4	30.3705	2.3	105.6
Denmark	(DKr)	5.8063	-0.0202	045 - 080	5.8845	5.7781	5.7974	1.8	5.779	1.9	5.6978	1.9	106.5
Finland	(FM)	4.5598	-0.0058	500 - 575	4.5741	4.5153	4.545	2.5	4.5263	2.4	4.4438	2.4	84.0
France	(FFr)	5.0980	-0.024	970 - 990	5.1235	5.0740	5.0898	2.0	5.0718	2.1	4.998	2.0	108.4
Germany	(DM)	1.5078	-0.0088	073 - 083	1.5175	1.5010	1.5049	2.3	1.499	2.3	1.4742	2.2	107.5
Greece	(Dr)	237.835	-0.875	780 - 890	238.830	236.180	238.29	-7.8	241.36	-6.9	252.085	-6.0	67.2
Ireland	(I£)	1.6505	+0.0071	500 - 515	1.6575	1.6430	1.6503	0.3	1.65	0.2	1.6471	0.2	-
Italy	(L)	1517.45	-3.58	720 - 770	1521.58	1510.89	1520.02	-2.0	1527.05	-2.5	1540.1	-1.5	76.6
Luxembourg	(LFr)	31.0980	-0.13	760 - 200	31.2570	30.8160	31.038	2.3	30.9105	2.4	30.3705	2.3	105.6
Netherlands	(Fl)	1.6913	-0.009	910 - 916	1.7010	1.6849	1.6875	2.7	1.6795	2.8	1.644	2.8	105.6
Norway	(NKr)	6.3541	-0.0281	531 - 551	6.3846	6.3222	6.3503	0.7	6.3447	0.6	6.3191	0.6	98.9
Portugal	(Es)	152.605	-0.65	580 - 630	153.420	152.410	152.61	-1.6	153.105	-1.3	153.88	-0.8	96.0
Spain	(Pta)	127.100	-0.485	050 - 150	127.630	126.570	127.28	-1.7	127.54	-1.4	128.205	-0.9	79.9
Sweden	(SKr)	6.6629	-0.0292	585 - 667	6.6183	6.5424	6.6659	0.5	6.6409	0.6	6.5426	0.9	89.5
Switzerland	(SFr)	1.2685	-0.0081	680 - 690	1.2780	1.2617	1.2647	3.6	1.2569	3.7	1.224	3.5	107.5
UK	(£)	1.6468	+0.0049	463 - 470	1.6520	1.6400	1.6455	0.8	1.6433	0.8	1.6296	1.0	90.8
Ecu	-	1.2681	+0.0047	688 - 695	1.2757	1.2670	1.2704	-1.3	1.2735	-1.4	1.2901	-1.7	-
SDR†	-	0.691955	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.0292	+0.0015	289 - 294	1.0295	1.0278	-	-	-	-	-	-	-
Canada	(C$)	1.3315	+0.0008	310 - 319	1.3360	1.3285	1.3291	2.1	1.3241	2.2	1.2986	2.5	86.1
Mexico	(New Peso)	7.9580	+0.024	530 - 630	7.9650	7.9520	8.076	-17.8	8.3425	-19.3	9.203	-15.6	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.9
Pacific/Middle East/Africa													
Australia	(A$)	1.2764	+0.0146	758 - 770	1.2775	1.2757	1.2779	-1.4	1.2798	-1.1	1.2863	-0.7	95.7
Hong Kong	(HK$)	7.7322	-0.0005	317 - 327	7.7329	7.7316	7.7321	0.0	7.7326	0.0	7.7437	-0.1	-
India	(Rs)	35.6500	-	500 - 500	35.8570	35.4350	35.865	-7.2	36.325	-7.6	-	-	-
Israel	(Shk)	3.2389	-0.0063	359 - 419	3.2539	3.2209	-	-	-	-	-	-	-
Japan	(Y)	111.765	-2.04	730 - 800	113.800	111.490	111.29	5.1	110.285	5.3	106.085	5.1	128.0
Malaysia	(M$)	2.5192	-0.0041	187 - 197	2.5230	2.5188	2.5221	-1.4	2.5274	-1.3	2.5497	-1.2	-
New Zealand	(NZ$)	1.4167	+0.0131	162 - 172	1.4175	1.4151	1.4222	-4.7	1.4265	-2.8	1.458	-2.9	-
Philippines	(Peso)	26.2600	+0.01	100 - 100	26.3150	26.2100	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	503 - 507	3.7509	3.7502	3.7508	-0.1	3.7512	-0.1	3.7531	-0.1	-
Singapore	(S$)	1.4025	-0.006	020 - 030	1.4084	1.4010	1.4003	1.8	1.3958	1.9	1.3745	2.0	-
South Africa	(R)	4.7005	-0.0095	980 - 030	4.7125	4.6910	4.7412	-10.4	4.8162	-9.8	5.131	-9.2	-
South Korea	(Won)	828.250	+2.75	100 - 400	829.000	827.700	-	-	-	-	-	-	-
Taiwan	(T$)	27.5000	-0.025	800 - 200	27.5300	27.4790	27.5001	0.0	27.5003	0.0	-	-	-
Thailand	(Bt)	25.4500	-0.0515	450 - 550	25.5240	25.4430	25.54	-4.2	25.7075	-4.0	26.345	-3.5	-

† SDR rate per $ for Nov 6. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Nov 6: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

November 7	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3¼	3¼	3¼	3⅛	3½	6.00	2.50	-
week ago	3¼	3¼	3¼	3⅛	3½	6.00	2.50	-
France	3⅜	3⅜	3⅜	3⅜	3⅜	3.20	-	4.75
week ago	3⅜	3⅜	3⅜	3⅜	3½	3.20	-	4.75
Germany	3	3¼	3¼	3¼	3⅜	4.50	2.50	3.00
week ago	3	3¼	3⅛	3⅛	3⅜	4.50	2.50	3.00
Ireland	5½	5¾	5½	5⅝	5⅝	-	-	6.25
week ago	5⅝	5⅝	5½	5⅝	5⅞	-	-	6.25
Italy	7⅞	7⅞	7⅞	7⅝	7½	-	7.50	8.05
week ago	7⅞	7⅝	7⅞	7⅞	7½	-	7.50	8.08
Netherlands	2⅜	2¾	2⅞	3	3⅛	-	3.00	3.30
week ago	2⅞	2¾	2⅞	3	3⅛	-	3.00	3.30
Switzerland	1⅛	1⅛	1⅝	1⅝	2¼	-	1.00	-
week ago	1¼	1⅜	1⅝	1⅝	1⅝	-	1.00	-
US	5⅜	5⅜	5⅜	5⅜	5⅝	-	5.00	-
week ago	5⅝	5⅜	5⅜	5⅜	5⅝	-	5.00	-
Japan	½	½	½	½	½	-	0.50	-
week ago	½	½	½	½	¾	-	0.50	-
■ $ LIBOR FT London Interbank Fixing	-	5⅜	5⅛	5⅝	5⅝	-	-	-
week ago	-	5⅝	5½	5⅝	5⅝	-	-	-
US Dollar CDs	-	5.11	5.08	5.14	5.27	-	-	-
week ago	-	5.11	5.07	5.13	5.27	-	-	-
ECU Linked Ds	-	4¼	4⅛	4⅛	4⅛	-	-	-
week ago	-	4¼	4⅛	4⅛	4⅛	-	-	-
SDR Linked Ds	-	3⅝	3⅛	3⅝	3⅝	-	-	-
week ago	-	3⅜	3⅛	3⅝	3⅝	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster. Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Nov 7	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3 1/8 - 2 15/16	3 1/8 - 2 31/32	3 1/16 - 2 15/16	3 1/8 - 3	3 3/16 - 3 1/16	3 5/32 - 3 1/32
Danish Krone	3 13/32 - 3 1/4	3 13/32 - 3 9/32	3 5/8 - 3 7/16	3 23/32 - 3 9/16	3 27/32 - 3 5/8	4 1/32 - 3 27/32
D-Mark	3 1/8 - 2 7/8	3 1/16 - 2 15/16	3 1/8 - 3	3 5/32 - 2 31/32	3 5/32 - 3 1/16	3 5/16 - 3 3/16
Dutch Guilder	2 15/16 - 2 13/16	2 7/8 - 2 3/4	2 7/8 - 2 25/32	2 31/32 - 2 27/32	3 1/32 - 2 29/32	3 3/16 - 3 1/8
French Franc	3 3/8 - 3 1/4	3 3/8 - 3 1/4	3 13/32 - 3 1/4	3 7/16 - 3 11/32	3 9/16 - 3 7/16	3 5/8 - 3 15/32
Portuguese Esc.	6 15/16 - 6 13/16	6 27/32 - 6 23/32	6 29/32 - 6 7/8	6 13/16 - 6 23/32	6 11/16 - 6 5/8	6 11/16 - 6 21/32
Spanish Peseta	6 15/16 - 6 11/16	6 27/32 - 6 23/32	6 27/32 - 6 23/32	6 25/32 - 6 23/32	6 23/32 - 6 19/32	6 23/32 - 6 19/32
Sterling	6 1/8 - 6 1/4	6 3/16 - 5 15/16	6 5/32 - 6 1/32	6 3/8 - 6 5/16	6 17/32 - 6 15/32	6 7/8 - 6 3/4
Swiss Franc	1 5/8 - 1 1/2	1 5/8 - 1 1/2	1 11/16 - 1 9/16	1 13/16 - 1 11/16	2 - 1 7/8	2 1/8 - 2
Can. Dollar	3 3/8 - 3 3/16	3 3/16 - 3	3 1/16 - 3	3 1/8 - 3	3 3/16 - 3 1/16	3 1/2 - 3 3/8
US Dollar	5 5/8 - 5 1/2	5 3/8 - 5 1/4	5 13/32 - 5 11/32	5 17/32 - 5 15/32	5 1/2 - 5 3/8	5 5/8 - 5 17/32
Italian Lira	8 1/4 - 7 7/8	7 15/16 - 7 11/16	7 13/16 - 7 11/16	7 19/32 - 7 15/32	7 11/32 - 7 7/32	7 1/16 - 6 15/16
Yen	9/16 - 7/16	17/32 - 13/32	1/2 - 7/16	1/2 - 3/8	1/2 - 3/8	3/4 - 5/8
Asian $Sing	3 3/8 - 3 1/8	3 5/16 - 3 3/16	3 3/8 - 3 1/4	3 3/8 - 3 1/4	3 7/16 - 3 5/16	3 1/2 - 3 3/8

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate (FFr 5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.46	96.48	+0.01	96.48	96.44	10,124	52,358
Mar	96.36	96.40	-	96.40	96.36	9,013	53,203
Jun	96.34	96.36	-	96.36	96.32	6,514	30,482

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.79	96.80	+0.01	96.81	96.78	20928	209098
Mar	96.78	96.78	-	96.80	96.77	25856	199144
Jun	96.63	96.63	-0.01	96.66	96.62	33996	165275
Sep	96.43	96.44	-	96.48	96.43	35695	150203

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	92.67	92.68	-0.05	92.72	92.66	10380	69133
Mar	93.27	93.28	-0.04	93.31	93.25	7947	60685
Jun	93.55	93.57	-0.01	93.58	93.51	4157	36507
Sep	93.60	93.63	-0.01	93.66	93.59	989	22476

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	97.97	98.02	+0.09	98.04	97.97	9027	29259
Mar	97.90	97.94	+0.08	98.01	97.90	7701	31570
Jun	97.72	97.75	+0.08	97.80	97.72	1076	16334
Sep	97.50	97.51	+0.06	97.55	97.49	832	6151

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	99.43	99.43	-0.01	99.43	99.43	152	n/a
Mar	99.31	99.32	-0.03	99.32	99.31	320	n/a
Jun	99.14	99.15	-0.06	99.15	99.14	292	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.82	95.81	-0.02	95.82	95.81	654	7389
Mar	95.82	95.81	-0.03	95.83	95.81	738	5732
Jun	95.77	95.77	-0.02	95.82	95.76	220	3313
Sep	95.68	95.67	-0.02	95.69	95.66	190	3099

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Nov 7		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.67	16.39	4.849	1.949	4880	5.438	20.43	490.7	408.7	21.23	4.079	1.953	4.280	3.216	359.8	2.535
Denmark	(DKr)	53.58	10	8.780	2.597	1.044	2614	2.913	10.94	262.8	218.9	11.37	2.185	1.046	2.293	1.723	192.4	1.358
France	(FFr)	61.00	11.39	10	2.958	1.189	2977	3.317	12.46	299.3	249.3	12.95	2.488	1.191	2.611	1.962	219.2	1.546
Germany	(DM)	20.62	3.851	3.381	1	0.402	1006	1.122	4.213	101.2	84.29	4.378	0.841	0.403	0.883	0.663	74.10	0.523
Ireland	(I£)	51.31	9.580	8.412	2.488	1	2504	2.791	10.48	251.8	209.7	10.89	2.093	1.002	2.196	1.650	184.4	1.301
Italy	(L)	2.049	0.383	0.336	0.099	0.040	100.	0.111	0.419	10.06	8.375	0.435	0.084	0.040	0.088	0.066	7.363	0.052
Netherlands	(Fl)	18.39	3.433	3.014	0.892	0.358	897.3	1	3.756	90.23	75.15	3.903	0.750	0.359	0.787	0.591	66.07	0.466
Norway	(NKr)	48.96	9.141	8.026	2.374	0.954	2389	2.663	10	240.2	200.1	10.39	1.997	0.956	2.096	1.575	175.9	1.241
Portugal	(Es)	20.38	3.805	3.341	0.988	0.397	994.4	1.108	4.162	100.	83.29	4.326	0.831	0.398	0.872	0.655	73.22	0.517
Spain	(Pta)	24.47	4.568	4.011	1.186	0.477	1194	1.331	4.998	120.1	100.	5.194	0.998	0.478	1.047	0.787	87.91	0.620
Sweden	(SKr)	47.11	8.796	7.723	2.284	0.918	2299	2.562	9.623	231.2	192.5	10	1.922	0.920	2.017	1.515	169.3	1.194
Switzerland	(SFr)	24.51	4.577	4.019	1.189	0.478	1196	1.333	5.007	120.3	100.2	5.203	1	0.479	1.049	0.788	88.08	0.621
UK	(£)	51.21	9.561	8.395	2.483	0.998	2499	2.785	10.46	251.3	209.3	10.87	2.089	1	2.192	1.647	184.0	1.298
Canada	(C$)	23.36	4.362	3.830	1.133	0.455	1140	1.271	4.772	114.6	95.48	4.959	0.953	0.456	1	0.751	83.94	0.592
US	($)	31.09	5.805	5.097	1.508	0.606	1517	1.691	6.351	152.6	127.1	6.600	1.268	0.607	1.331	1	111.7	0.788
Japan	(Y)	27.83	5.196	4.563	1.349	0.542	1358	1.514	5.685	136.6	113.8	5.908	1.135	0.543	1.191	0.895	100.	0.705
Ecu		39.45	7.366	6.468	1.913	0.769	1925	2.146	8.059	193.6	161.2	8.374	1.609	0.770	1.689	1.269	141.8	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10: Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.6606	0.6645	+0.0038	0.6680	0.6604	20,075	59,533
Mar	0.6688	0.6695	+0.0040	0.6690	0.6681	147	4,096
Jun	0.6722	0.6722	+0.0039	0.6722	0.6722	4	2,476

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.8820	0.9014	+0.0192	0.9015	0.8815	13,181	72,405
Mar	0.8965	0.9125	+0.0191	0.9125	0.8965	208	3,263
Jun	0.9215	0.9220	+0.0173	0.9220	0.9215	3	507

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7857	0.7921	+0.0062	0.7958	0.7857	14,679	46,025
Mar	0.7996	0.7985	+0.0061	0.8007	0.7985	103	3,419
Jun	-	0.8060	+0.0070	0.8060	-	3	613

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.6406	1.6442	+0.0036	1.6510	1.6394	8,249	59,096
Mar	1.6380	1.6380	+0.0008	1.6400	1.6380	147	799
Jun	-	1.6360	+0.0032	1.6360	-	3	159

UK INTEREST RATES

LONDON MONEY RATES

Nov 7	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6 5/8 - 5 1/4	6 3/16 - 5 7/8	6 3/16 - 6	6 3/8 - 6 1/4	6 9/16 - 6 7/16	6 7/8 - 6 3/4
Sterling CDs	-	-	6 1/8 - 6 1/16	6 1/4 - 6 3/16	6 7/16 - 6 3/8	6 23/32 - 6 21/32
Treasury Bills	-	-	5 29/32 - 5 27/32	5 31/32 - 5 29/32	-	-
Bank Bills	-	-	5 31/32 - 5 29/32	6 1/16 - 6	6 1/4 - 6 3/16	-
Local authority deps.	6 5/8 - 6	6 - 5 3/4	6 1/16 - 6	6 1/8 - 6 1/16	6 5/16 - 6 3/16	6 9/16 - 6 7/16
Discount Market deps	6 1/4 - 5	6 1/8 - 6	-	-	-	-

UK clearing bank base lending rate 6 per cent from October 30, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc. Ave. tender rate of discount on Nov 1, 5.8582pc. ECGD fixed rate Stg. Export Finance. Make up day Oct 31, 1996. Agreed rate for period Nov 26, 1996 to Dec 24, 1996, Scheme III 7.25pc. Reference rate for period Oct 1, 1996 to Oct 31, 1996, Schemes IV & V 6.001pc. Finance House Base Rate 6pc from Nov 1, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.63	93.60	-0.04	93.63	93.58	18697	98469
Mar	93.35	93.32	-0.05	93.36	93.28	23524	103705
Jun	93.05	93.02	-0.06	93.07	92.96	25295	99465
Sep	92.85	92.81	-0.07	92.86	92.78	11143	59710
Dec	92.70	92.65	-0.08	92.71	92.63	6688	45795

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9350	0.15	0.11	0.11	0.05	0.29	0.59
9375	0.02	0.04	0.05	0.17	0.47	0.78
9400	0	0.01	0.02	0.40	0.69	1.00

Est. vol. total, Calls 6650 Puts 6724. Previous day's open int., Calls 186293 Puts 150586

EMS EUROPEAN CURRENCY UNIT RATES

Nov 7	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.792214	0.774863	+0.00146	-2.19	3.96	15
Portugal	195.792	194.915	+0.019	-0.45	2.14	3
Spain	162.493	162.308	+0.082	-0.11	1.80	1
Finland	5.80661	5.82226	+0.02377	0.27	1.41	-2
Netherlands	2.15214	2.16095	-0.00186	0.41	1.27	-3
Belgium	39.3960	39.6917	-0.0412	0.75	0.92	-5
Germany	1.91007	1.92627	-0.00212	0.85	0.83	-5
Austria	13.4383	13.5542	-0.015	0.86	0.81	-6
Denmark	7.28580	7.40661	-0.00068	1.66	0.02	-11
France	6.40608	6.51378	-0.00476	1.68	0.00	-14
NON ERM MEMBERS						
Greece	292.867	304.061	+0.345	3.82	-2.06	-
Italy	2106.15	1938.03	+3.31	-7.98	10.50	-
UK	0.786652	0.777597	+0.003487	-1.15	2.87	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	PUTS Nov	PUTS Dec	PUTS Jan
1.620	-	-	3.36	0.20	0.90	1.41
1.630	1.62	2.32	2.76	0.45	1.26	1.81
1.640	1.00	1.77	2.28	0.83	1.70	2.28
1.650	0.57	1.31	1.83	1.40	2.26	2.78
1.660	0.28	0.95	1.44	2.12	2.88	3.39

Previous day's vol., Calls 6,088 Puts 4,735 . Prev. day's open int., Calls 160,214 Puts 150,153

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.49	94.47	-0.01	94.49	94.47	26,887	459,275
Mar	94.46	94.44	-0.02	94.46	94.42	63,062	372,059
Jun	94.33	94.32	-0.02	94.33	94.29	57,407	286,631

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.98	94.99	-0.02	94.99	94.98	144	3,649
Mar	94.91	94.93	-0.03	94.93	94.91	76	2,589
Jun	-	94.86	-	-	94.80	51	1,478

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	CALLS Mar	PUTS Nov	PUTS Dec	PUTS Jan	PUTS Mar
9675	0.06	0.08	0.10	0.14	0.01	0.03	0.07	0.11
9700	0	0	0.02	0.04	0.20	0.20	0.24	0.26
9725	0	0	0	0.01	0.45	0.45	0.47	0.48

Est. vol. total, Calls 7096 Puts 28990. Previous day's open int., Calls 434468 Puts 311486

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9825	0.04	0.12	0.14	0.27	0.43	0.64
9850	0.02	0.05	0.07	0.50	0.61	0.82

Est. vol. total, Calls 0 Puts 50. Previous day's open int., Calls 4239 Puts 2150

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9250	0.24	0.84	1.15	0.06	0.06	0.08
9275	0.09	0.63	0.93	0.16	0.10	0.11
9300	0.03	0.44	0.74	0.35	0.16	0.17

Est. vol. total, Calls 2795 Puts 779. Previous day's open int., Calls 122571 Puts 71738

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Cyprus Popular Bank	6.00	NatWestminster	6.00
Allied Irish Bank (GB)	6.00	Duncan Lawrie	6.00	●Rea Brothers	6.00
Allied Trust Bank	6.00	Exeter Bank Limited	7.00	Royal Bk of Scotland	5.75
●Henry Ansbacher	6.00	Financial & Gen Bank	7.00	●Singer & Friedlander	6.00
Bank of Baroda	6.00	●Robert Fleming & Co	6.00	●Smith & Williamson Secs	6.00
Banco Bilbao Vizcaya	6.00	Girobank	5.75	Scottish Widows Bank	6.00
Bank of Cyprus	6.00	●Guinness Mahon	6.00	TSB	6.00
Bank of Ireland	6.00	Habib Bank AG Zurich	6.00	United Bank of Kuwait	6.00
Bank of India	6.00	●Hambros Bank	6.00	Unity Trust Bank Plc	5.75
Bank of Scotland	5.75	Heritable & Gen Inv Bk	6.00	Western Trust	6.00
Barclays Bank	6.00	●Hill Samuel	5.75	Whiteaway Laidlaw	6.00
Brit Bk of Mid East	6.00	C. Hoare & Co	6.00	Yorkshire Bank	5.75
●Brown Shipley & Co Ltd	6.00	Hongkong & Shanghai	6.00		
Citibank NA	6.00	Julian Hodge Bank	6.00	● Members of London Investment Banking Association	
Clydesdale Bank	6.00	●Leopold Joseph & Sons	6.00		
The Co-operative Bank	6.00	Lloyds Bank	6.00		
Coutts & Co	6.00	Midland Bank	5.75	* In administration	
Credit Lyonnais	6.00	*Mount Credit Corp	6.25		

Tarmac

TARMAC FINANCE (JERSEY) LIMITED

£107,500,000

9.5 per cent. Convertible Capital Bonds 2006

In accordance with Condition 22 of the Terms and Conditions of the above Bonds notice is hereby given that with effect from Monday, 9th December, 1996 Barclays Bank PLC whose address is shown below will replace S.G. Warburg & Co. Ltd. as Principal Paying and Conversion Agent. Any further correspondence to the Principal Paying and Conversion Agent should be addressed as follows:

Barclays Bank PLC
8 Angel Court
Throgmorton Street
London EC2R 7HT

Further attention is drawn to the change in the specified address of the following Paying and Conversion Agent to:

Swiss Bank Corporation
Paradeplatz 6
CH-8010 Zurich
Switzerland

Barclays Bank PLC
54 Lombard Street
London EC3P 3AH

NOTICE TO THE HOLDERS OF

Transportadora de Gas del Norte S.A.

US $50,000,000

Floating Rate Notes Due 2004

Notice is hereby given that for the interest period October 31, 1996 to April 30, 1997 the Notes will bear interest at a rate of 8.75% per annum. Interest payable on April 30, 1997 will amount to US$43.99 per US$1,000 Note.

First Trust of New York, National Association

as Calculation Agent

Dated: November 8, 1996

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on 06.11.96 Pool purchase price £/MWh	Final Prices for Trading on 11.10.96 Pool purchase price £/MWh	Pool selling price £/MWh
0030	11.66	14.73	14.73
0100	12.01	11.82	11.82
0130	12.01	11.82	11.82
0200	12.01	14.71	14.71
0230	11.69	14.71	14.71
0300	11.68	11.82	11.82
0330	11.68	11.82	11.82
0400	11.68	11.82	11.82
0430	11.67	11.82	11.82
0500	11.68	11.82	11.82
0530	11.67	18.33	17.57
0600	11.67	11.71	11.71
0630	11.68	11.79	11.79
0700	17.06	16.17	18.44
0730	17.28	19.19	21.96
0800	17.29	26.61	31.96
0830	17.41	52.82	56.41
0900	18.58	53.85	57.93
0930	18.58	53.08	56.74
1000	18.58	52.87	56.50
1030	18.58	52.61	56.22
1100	18.58	52.62	56.24
1130	18.58	24.81	26.47
1200	18.58	24.69	26.33
1230	18.58	25.30	26.67
1300	18.58	21.23	24.24
1330	17.41	17.74	20.95
1400	17.29	18.82	19.24
1430	17.29	16.56	18.92
1500	17.29	16.43	18.76
1530	12.25	16.36	18.67
1600	12.26	16.06	18.39
1630	19.41	16.67	19.07
1700	28.98	16.69	19.15
1730	37.72	17.26	19.76
1800	37.33	17.74	20.37
1830	26.84	28.98	32.89
1900	23.95	52.18	56.73
1930	19.42	52.52	56.93
2000	19.37	46.65	50.06
2030	18.37	17.51	20.02
2100	18.66	16.37	18.66
2130	18.37	16.19	18.43
2200	18.87	16.16	18.40
2230	17.28	15.67	17.91
2300	17.29	15.67	17.91
2330	17.29	15.33	17.57
2400	11.68	15.48	17.72

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. [illegible] Electricity Settlements and Information Services Limited

HSBC GLOBAL INVESTMENT FUNDS

Société d'Investissement à Capital Variable
7 rue du Marché-aux-Herbes, L-1728 Luxembourg
R.C. Luxembourg B-25087

CONVENING NOTICE

Shareholders are hereby invited to attend the

CLASS MEETINGS

of the sub-funds listed below, which will take place at the same address on November 29, 1996, immediately after the Annual General Meeting, for the purpose of considering and voting upon the following agendas:

1. **Class meeting of the Hong Kong Equity Fund**
   Agenda
   Increase of the current management fee of 1.00% in respect of the Hong Kong Equity Fund to 1.50% per annum on the net asset value with effect from January 1, 1997.
2. **Class meeting of the Japanese Equity Fund**
   Agenda
   Increase of the current management fee of 1.00% in respect of the Japanese Equity Fund to 1.50% per annum on the net asset value with effect from January 1, 1997.
3. **Class meeting of the Malaysian Equity Fund**
   Agenda
   Increase of the current management fee of 1.00% in respect of the Malaysian Equity Fund to 1.50% per annum on the net asset value with effect from January 1, 1997.
4. **Class meeting of the North American Equity Fund**
   Agenda
   Increase of the current management fee of 1.00% in respect of the North American Equity Fund to 1.50% per annum on the net asset value with effect from January 1, 1997.
5. **Class meeting of the Singaporean Equity Fund**
   Agenda
   Increase of the current management fee of 1.00% in respect of the Singaporean Equity Fund to 1.50% per annum on the net asset value with effect from January 1, 1997.
6. **Class meeting of the Pan-European Equity Fund**
   Agenda
   Increase of the current management fee of 1.00% in respect of the Pan-European Equity Fund to 1.50% per annum on the net asset value with effect from January 1, 1997.
7. **Class meeting of the International Managed Bond Fund**
   Agenda
   Increase of the current management fee of 0.75% in respect of the International Managed Bond Fund to 1.00% per annum on the net asset value with effect from January 1, 1997.
8. **Class meeting of the Sterling Bond Fund**
   Agenda
   Increase of the current management fee of 0.75% in respect of the Sterling Bond Fund to 1.00% per annum on the net asset value with effect from January 1, 1997.
9. **Class meeting of the US Dollar Bond Fund**
   Agenda
   Increase of the current management fee of 0.75% in respect of the US Dollar Bond Fund to 1.00% per annum on the net asset value with effect from January 1, 1997.

The decisions on the agendas of the Annual General Meeting and Class Meetings will require no quorum and will be taken at the simple majority of the shares present or represented and voting at the relevant Meeting.

Shareholders who wish to vote by proxy should return their proxy form to HSBC INVESTMENT FUNDS LUXEMBOURG SA, 7, rue du Marché-aux-Herbes, L-1728 Luxembourg or send it by fax (confirmed by mail) to HSBC INVESTMENT FUNDS LUXEMBOURG SA, FAX +352 47 55 69, so as to arrive no later than 5.00pm on November 26, 1996.

In order to take part at Class Meetings, the owners of bearer shares must deposit their shares 5 clear days before the meeting at the office of the Custodian Bank.

The Board of Directors

NOTICE OF PARTIAL REDEMPTION

REPUBLIC OF SLOVENIA

USD 219 895 000 Floating Rate Amortizing Bonds Due 2006, Series USD-2

ISIN CODE : XS0066642538

NOTICE IS HEREBY GIVEN, in accordance with the Section «Principal Payments, Redemption and Purchases» of the Terms and Conditions (Series USD) and in relation to the Section 13 of the Fiscal Agency Agreement, dated June 11, 1996, that the Republic of Slovenia has called for redemption on December 11, 1996 (the «Redemption Date») USD 125 000 000 principal amount of Floating Rate Amortizing Bonds due 2006, Series USD-2 at the redemption price per bond equal to 98.2032% of the principal amount thereof (the «Redemption Price»), together with accrued interest to December 11, 1996, leaving an outstanding nominal amount of 94 895 000.

On the Redemption Date, the Redemption price will become due and payable at the office of Société Générale Bank & Trust, Luxembourg and interest thereon shall cease to accrue on after such date.

The Floating Rate Amortizing Bonds due 2006, Series USD-2 will be traded in their original face value, but for settlement purposes, a pool factor of 0,3860924 for the period 11/12/96 to 11/06/97 has to be considered (this pool factor takes in account this early redemption and the Principal Payment installment due on 11/12/96).

For the REPUBLIC OF SLOVENIA
Société Générale Bank & Trust, Luxembourg
as Fiscal Agent

Notice of Early Redemption

HMC FINANCING 3 PLC

£75,000,000 Class A
and
£2,000,000 Class B

Mortgage Backed Floating Rate Notes Due December 2018

In accordance with Condition 5(d)(1) of the Class A Notes and Condition 5(c)(1) of the Class B Notes, Noteholders are hereby notified that all outstanding Notes will be redeemed in full on the next interest payment date of December 17, 1996. Payment of the Principal Amount Outstanding together with any interest due will be made against the surrender of the Notes at any Paying Agent listed below.

PRINCIPAL PAYING AGENT AND AGENT BANK
The Chase Manhattan Bank
Woolgate House, Coleman Street, London EC2P 2HD

PAYING AGENT
Chase Manhattan Bank Luxembourg S.A.
5 Rue Plaetis, L-2338 Luxembourg-Grund

By: The Chase Manhattan Bank
London, Principal Paying Agent
and Agent Bank

November 8, 1996

CHASE

COMMODITIES AND AGRICULTURE

France's bird lovers offer a toast to the 'true Europeans'

By Alison Maitland

It may not sound like a classic vintage, but Lesser-Grey Shrike Wine should soon be gracing the tables of serious conservationists.

Wine producers in the Hérault and Aude regions of the south of France have created the wine to help save the remaining 50 pairs of the birds in a region where they were common a century ago.

For each bottle sold, FFr2 is contributed to fund environmentally sensitive farming designed to preserve the region's "mosaic" habitat – a mix of tall trees, open ground crops such as vines, and fallow land – which has been lost in much of France.

Such imaginative initiatives will be urged by the Royal Society for the Protection of Birds at the three-day conference on European rural development, which started yesterday in Cork, Ireland.

The conference – organised by the European Commission – will hear calls for reform of the European Union's Common Agricultural Policy. The RSPB, along with seven other UK organisations representing farmers, landowners and conservationists, will argue that minimising pollution and protecting sensitive habitats should be central objectives, as well as maintaining "vibrant rural economies".

Support for agriculture should be reformed so that it is targeted to areas where market forces would otherwise drive farmers out of business, they say.

A new book, *Farming and Birds in Europe*, says agricultural intensification, aided by the CAP and technological advances, has taken place at an unprecedented rate over the last 30 years. In a foreword, Mr Franz Fischler, the European farm commissioner, points out that birds are a good indicator of the state of the countryside.

"They are at the summit of the food chain and they migrate and cross national borders – they are true Europeans," he says.

Copper breaks through $2,000

MARKETS REPORT

By Kenneth Gooding and Robert Corzine

Copper's price on the London Metal Exchange yesterday broke convincingly through the psychologically important $2,000 a tonne barrier. Metal for delivery in three months ended the day at $2,017 a tonne, up $46.

Traders suggested a further big fall in LME copper stocks was likely to be revealed today and this had unnerved some speculators. In the past two months LME stocks have dropped by 53 per cent to 151,175 tonnes.

However, Mr Peter Hollands of the Bloomsbury Minerals Economics consultancy, suggested that nearly all this copper had simply been moved out of LME warehouses to storage in China and the US.

Aluminium's price also moved up strongly, helped by the prospect of a "squeeze" on metal for delivery in January. Three-month aluminium ended the day up $33 a tonne at $1,466.50.

Mr Robin Bhar, analyst at Brandeis, the Pechiney subsidiary, said physical demand was weak and there had been no pick up to justify the present price.

Firmer gas oil prices helped to underpin crude oil. November gas oil on London's International Petroleum Exchange closed $3.75 up at $218.75 a tonne, after reaching a high for the day of $222.25 a tonne. The pull of stronger fuel oil prices was also felt in New York as traders took note of tighter supplies and the prospect of colder weather.

In crude oil markets the price of benchmark Brent Blend for December delivery was quoted at $22.35 in late London trading, up 20 cents up on its Wednesday close.

EU increases subsidies on wheat exports

By Deborah Hargreaves

The European Union has awarded licences to export 350,500 tonnes of wheat with a subsidy of Ecu22.35 ($28.26) a tonne in a move likely to inflame its row with the US over grain subsidies.

The US government has accused the EU of depressing world prices by refunding traders for sending high-priced EU wheat to the export market. In recent weeks, the EU has reversed its policy of taxing grain exports and increased the level of subsidies it pays.

The export refund has been raised by almost Ecu17 a tonne over the past three weeks – recently from Ecu20 a tonne on October 31 to Ecu22.35 yesterday – as world prices have slipped. Wheat prices at the Chicago Board of Trade, the world's largest futures market, have halved since April to about $3.64 a bushel.

Mr Dan Glickman, US agriculture secretary, will meet Mr Franz Fischler, The European farm commissioner, next Wednesday when grain subsidies will be high on the agenda. "The EU says it is not pushing prices down, but we say: 'You are not helping'," a US official in Brussels said yesterday.

The Baltic Freight Index jumped 40 points yesterday to 1,433 – its highest level for six months – as supplies of carriers on the freight market remain tight. The increase was the largest daily rise in 18 months.

Heavy grain shipments from the US have led to a scramble for available Panamax ships – those able to navigate the Panama canal.

EU subsidies are aimed at compensating traders for the difference between internal EU prices for grain and lower world prices.

The US government has also threatened to reopen its own programme of export subsidies. US officials hinted yesterday there was a possibility of introducing subsidies for products such as flour before the end of the year.

"Logically, the US should not be complaining to the European Union, but to Argentina, where prices are being undercut, and Australia," said Mr James Dunsterville, agriculture consultant in Geneva.

Earlier this week, the Australian Wheat Board dropped its estimate for its 1996–97 pool price of wheat by A$10 a tonne to A$175 a tonne.

Victoria ready for second gold rush

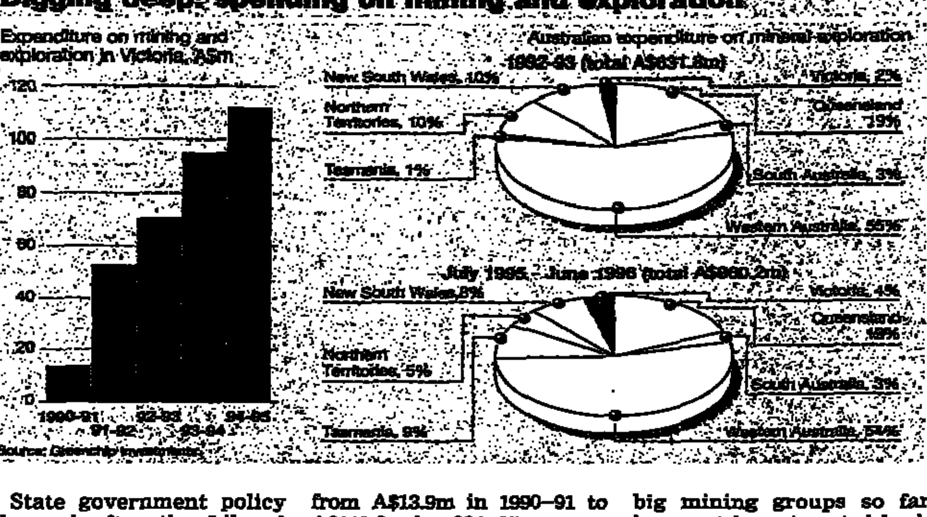
Kenneth Gooding says a state mining revival may be on its way in Australia

A little bit of mining history was made this week when the Ballarat East gold mine in Australia's Victoria state produced its first gold bar. The bar contained only a hundred or so ounces but the event had a symbolic importance – it was the first gold "pour" in the Ballarat fields for 80 years and another indication that the Victoria state mining revival is on its way.

During the first Australian gold rush, the Ballarat fields produced about 20m ounces of the precious metal. In all, Victoria produced at least 2,500 tonnes of gold between the first discoveries in 1851 and 1911 when the diggers drifted away to the richer pickings beckoning in Western Australia.

The 2,500 tonnes represents 34 per cent of Australia's total gold output to date and 2 per cent of all the gold ever produced in the world. That gold built Victoria and Melbourne, the state capital, where many of Australia's leading mining companies still maintain their headquarters.

The modern mining industry has a habit of returning to old gold fields and using up-to-date techniques to get the metal the old-timers could not find. But Victoria missed out during Australia's 1980s gold mining boom. Companies were reluctant to spend at a time of environmental activism and state government indifference.



State government policy changed after the Liberal party gained power from Labour in 1991. In April from changing the mining laws, in 1993 the government also launched a A$16.5m Victorian Initiative for Minerals and Petroleum (VIMP), a three-year project to provide state-of-the-art geological and geophysical data that it hoped would entice explorers back to the state.

The mining industry responded as the government hoped. Exploration expenditure in the state jumped from an average of A$12m a year for the three years to 1992–93 to A$31m in 1994–95 and to a record A$42.6m in 1995–96. When money for mine development is added to the exploration cash, total expenditure rose from A$13.9m in 1990–91 to A$112.6m in 1994–95.

Mr David Lea, executive director, minerals and petroleum at the Department of National Resources and Environment, suggests confidently: "There is another A$40bn of gold to be found out there."

This view is supported by Mr Graeme Little, managing director of Greenchip Resources, a fund that has invested A$12.3m in the Victorian gold mining sector so far and is ready to put up another A$20m–$50m by the end of the decade.

"It is a mathematical certainty that gold finds as big as those in the first gold rush will be made as long as the finance for exploration is provided," he says.

Nevertheless, Australia's big mining groups so far have not been tempted back to the Victorian gold fields and exploration is being left to small companies that often have great difficulty raising the money they need.

There is a technical reason for this. In Western Australia gold is disseminated relatively evenly through the rock and this allows companies to make reasonable estimates of reserves after drilling and test work.

In Victoria, on the other hand, most deposits contain coarse gold, flecks visible to the naked eye but spread haphazardly through the ore. Reserve statistics are virtually impossible to provide but without them banks will not to miners.

Some analysts also suggest that Victoria will continue to suffer in comparison to Western Australia, the continent's biggest gold producer, because coarse gold deposits make it difficult for any company to announce the kind of huge discovery that generates international excitement and a deluge of new exploration money.

Environmental concerns have not gone away either. In particular, there are concerns about the Box-Ironbark woodlands that cover the central Victorian gold fields and some of the creatures that inhabit them.

The small exploration companies working in the Victorian gold fields say they are helped by the state's well developed infrastructure. This means usually they do not have to build new roads or camps for their employees. The downside is that their operations are usually close to residential areas.

While the people of the gold fields are generally supportive of the mining industry, some compromises have had to be made. At the Ballarat East mine there is no mining or ore crushing after 6pm and on Sundays.

Mr John Skeet, general manager of the mine, which was recently acquired by William Resources, a Canadian group, from Valdora Minerals, says this will not prevent Ballarat East reaching its initial production target of 50,000 ounces a year.

Kenneth Gooding

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1442-43	1459-60
Previous	1412-13	1433-34
High/low		1462/1440
AM Official	1439.4-40	1457-58
Kerb close		1466.5-67
Open int.	235,772	
Total daily turnover	91,066	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1268-73	1300-02
Previous	1260-65	1290-95
High/low	1271	1305/1300
AM Official	1271-72	1304-05
Kerb close		1300-05
Open int.	6,403	
Total daily turnover	1,728	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	743.5-4.5	745-6
Previous	743-44	744-45
High/low	745	750/745
AM Official	744.5-5.5	746-6.5
Kerb close		749-50
Open int.	39,387	
Total daily turnover	8,392	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7080-90	7190-95
Previous	7040-50	7150-60
High/low		7230-7160
AM Official	7080-85	7190-95
Kerb close		7225-30
Open int.	45,987	
Total daily turnover	11,851	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5875-85	5935-40
Previous	5860-70	5920-25
High/low	5905	5980/5915
AM Official	5900-05	5962-63
Kerb close		5970-75
Open int.	16,131	
Total daily turnover	3,827	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1041.5-42.5	1062-63
Previous	1040.5-41.5	1064-65
High/low	1044.5	1068/1062
AM Official	1044-45	1064-65
Kerb close		1066-69
Open int.	84,785	
Total daily turnover	20,665	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2063-65	2005.5-06.5
Previous	2012-14	1970-71
High/low	2062/2060	2008/1975
AM Official	2059-60	2006-07
Kerb close		2017-18
Open int.	166,283	
Total daily turnover	65,230	

■ LME AM Official £/$ rate: 1.6420
LME Closing £/$ rate: 1.6439

Spot: 1.6476 3 mths: 1.6444 6 mths: 1.6400 9 mths: 1.6355

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	96.80	+3.30	96.80	93.20	3,398	2,508
Dec	95.55	+2.90	95.95	92.60	4,780	22,225
Jan	94.35	+2.80	94.40	93.00	16	1,879
Feb	93.35	+2.40	93.30	93.30	21	952
Mar	92.55	+2.50	92.90	91.10	916	12,215
Apr	91.90	+2.40	-	-	4	552
Total					4,736	57,943

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	380.30-380.60		
Opening	377.65-377.95		
Morning fix	377.90	230.02	476.61
Afternoon fix	378.60	230.25	480.86
Day's High	380.80-381.10		
Day's Low	377.45-377.75		
Previous close	377.70-378.20		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.13	6 months	3.33
2 months	3.07	12 months	3.47
3 months	3.06		

Silver Fix	p/troy oz.	US cts equiv.
Spot	289.00	474.25
3 months	293.00	479.85
6 months	297.05	485.35
1 year	305.40	497.55

Gold Coins	$ price	£ equiv.
Krugerrand	378-380	230-231
Maple Leaf	383.70-386.15	-
New Sovereign	88-91	53-55

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	378.9	+1.0	379.0	379.0	-	-
Dec	379.6	+0.9	382.0	377.8	20,876	94,655
Feb	381.4	+0.9	384.0	380.5	6,698	24,043
Apr	383.6	+0.9	386.0	382.7	217	12,229
Jun	385.9	+0.9	388.0	386.0	1,292	12,151
Aug	388.2	+0.9	-	-	10	4,362
Total					29,868	193,721

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	386.3	+3.4	387.2	382.0	1,443	18,293
Apr	388.7	+3.5	390.0	386.5	690	8,262
Jul	391.6	+3.5	-	-	262	989
Oct	394.9	+3.5	-	-	6	136
Total					2,401	27,680

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	118.05	+1.90	118.40	116.75	1,034	6,775
Mar	119.15	+1.95	-	-	425	1,276
Jun	120.25	+2.05	120.20	120.20	-	156
Total					1,459	8,207

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	481.9	+12.0	-	-	12	7
Dec	483.3	+12.0	487.5	471.0	14,326	62,840
Jan	485.3	+12.0	-	-	-	26
Mar	490.0	+12.1	493.5	478.5	1,789	15,684
May	494.2	+12.1	498.0	485.5	17	6,640
Jul	498.5	+12.1	503.0	490.0	26	5,289
Total					16,249	97,699

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	22.75	+0.06	23.04	22.65	55,689	83,805
Jan	22.60	+0.14	22.80	22.50	20,520	60,853
Feb	22.31	+0.12	22.50	22.29	6,166	38,099
Mar	22.00	+0.12	22.17	21.98	2,817	22,871
Apr	21.74	+0.15	21.84	21.69	1,976	16,697
May	21.42	+0.13	21.55	21.38	1,942	12,966
Total					95,294	398,502

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	22.25	+0.10	22.48	22.22	13,929	51,965
Jan	21.97	+0.14	22.15	21.96	9,313	56,938
Feb	21.58	+0.16	21.68	21.55	1,842	27,162
Mar	21.11	+0.13	21.21	21.11	934	28,436
Apr	20.72	+0.21	20.75	20.59	1,458	9,831
May	20.25	-	20.28	20.15	1,068	5,339
Total					na	na

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	67.40	+0.85	68.10	66.35	20,674	41,020
Jan	67.00	+0.82	67.60	66.15	7,264	31,858
Feb	65.50	+0.62	66.05	65.00	3,386	16,420
Mar	63.25	+0.47	63.85	63.15	944	9,003
Apr	60.10	+0.37	60.50	60.00	593	5,376
May	57.75	+0.37	57.75	57.70	193	3,132
Total					32,234	124,151

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	218.75	+3.75	222.25	214.50	9,254	23,779
Dec	208.75	+1.00	212.50	208.75	9,570	24,026
Jan	205.50	+0.50	207.50	205.00	5,752	25,491
Feb	200.00	-	201.50	200.00	922	8,039
Mar	193.50	-0.50	194.75	193.75	505	6,163
Apr	187.00	-1.00	188.00	187.00	200	4,725
Total					24,478	104,851

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	2.675	-0.009	2.730	2.645	21,908	38,855
Jan	2.690	+0.002	2.725	2.644	7,818	24,679
Feb	2.475	+0.015	2.450	2.395	2,289	14,798
Mar	2.230	+0.025	2.250	2.200	1,402	10,564
Apr	2.095	+0.020	2.095	2.070	733	6,291
May	2.020	+0.005	2.030	2.020	614	5,019
Total					36,700	127,991

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	63.90	+0.77	64.85	61.60	18,722	25,798
Jan	61.90	-0.07	62.70	61.50	5,360	13,619
Feb	61.60	+0.06	62.15	61.45	1,590	3,617
Mar	61.80	-0.02	62.00	61.70	516	3,609
Apr	63.90	+0.23	63.90	63.90	90	2,530
May	63.70	+0.48	63.70	63.70	351	1,372
Total					28,874	53,340

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	94.50	-0.25	95.25	94.50	24	96
Jan	96.15	+0.75	96.40	95.50	139	2,124
Mar	97.80	+0.40	98.10	97.40	193	1,859
May	99.00	+0.60	99.25	98.75	85	1,811
Jul	100.50	+0.50	-	-	-	298
Nov	96.50	+0.75	96.50	96.25	15	175
Total					469	6,963

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	375.00	+5.50	378.50	369.00	7,344	30,581
Mar	387.50	+3.75	389.00	383.00	3,828	17,627
May	350.00	+0.50	354.00	348.00	309	2,810
Jul	334.00	-	342.50	338.50	1,230	11,330
Sep	344.00	-	345.00	344.00	56	320
Dec	352.00	-1.00	354.50	352.00	32	182
Total					13,138	62,928

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	264.50	+4.50	266.00	259.50	46,068	132,331
Mar	269.00	+4.00	270.00	264.75	18,238	101,049
May	274.00	+3.25	275.25	270.75	6,576	44,898
Jul	277.50	+2.25	278.00	274.75	6,482	35,751
Sep	273.00	+2.00	274.50	271.00	401	4,208
Dec	271.25	+1.50	272.25	270.00	2,751	29,345
Total					80,963	349,289

■ BARLEY LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	91.50	-	-	-	-	295
Jan	92.25	-	92.65	92.65	2	736
Mar	93.50	-	93.50	93.50	10	217
May	94.75	-	-	-	-	116
Sep	92.00	-	-	-	-	1
Nov	94.00	-	-	-	-	25
Total					17	1,390

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	686.50	+5.50	688.00	681.00	4,807	7,874
Jan	695.75	+3.25	698.25	692.00	34,013	72,676
Mar	699.00	+2.50	702.00	696.50	5,861	33,076
May	701.00	+2.25	704.00	699.50	1,895	17,181
Jul	692.75	+1.50	696.25	692.00	2,778	15,767
Aug	689.75	+0.75	693.00	689.50	54	1,929
Total					[illegible]	158,514

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	23.09	+0.08	23.46	23.03	8,985	44,358
Jan	23.32	+0.05	23.67	23.30	3,511	22,576
Mar	23.70	+0.02	24.00	23.68	2,328	19,580
May	24.01	-0.01	24.30	23.95	1,089	10,498
Jul	24.30	+0.02	24.55	24.20	464	5,113
Aug	24.38	+0.04	24.60	24.35	12	1,397
Total					16,988	105,776

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	227.8	+2.5	228.9	225.0	12,001	35,726
Jan	221.2	+1.9	221.6	218.7	3,700	14,887
Mar	216.4	+1.9	216.9	213.1	4,621	19,648
May	212.6	+1.1	213.5	210.2	1,470	10,656
Jul	211.8	+0.1	212.8	211.7	129	6,644
Aug	211.0	+0.5	212.5	211.0	51	1,369
Total					24,798	80,488

■ POTATOES LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	85.0	-	-	-	-	-
Mar	69.9	+0.9	70.0	69.0	37	1,331
Apr	78.5	+1.0	-	-	-	17
May	99.3	+1.0	-	-	-	-
Nov	113.5	-	-	-	-	5
Total					37	1,385

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	1495	+11	1510	1485	121	375
Dec	1445	+10	1465	1430	192	541
Jan	1390	+11	1390	1380	90	1,941
Apr	1390	-	1395	1388	44	681
Jul	1175	-	-	-	-	221
Oct	1297	-	-	-	-	34
Total					447	3,813

	Close	Prev
BFI	1433	1393

SOFTS

■ COCOA LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	904	-3	910	902	1,240	24,890
Mar	938	-4	943	937	2,060	44,483
May	952	-5	960	951	380	14,446
Jul	969	-6	977	967	544	12,190
Sep	986	-6	993	987	712	6,147
Dec	999	-6	1005	1000	122	4,748
Total					5,662	130,362

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	1330	+3	1341	1328	2,829	14,357
Mar	1374	+5	1382	1370	5,194	31,367
May	1393	+6	1400	1392	910	9,366
Jul	1408	+4	1416	1408	159	7,017
Sep	1428	+5	1431	1426	9	5,984
Dec	1446	+4	-	-	86	898
Total					9,241	77,888

■ COCOA (ICCO) (SDR's/tonne)

Nov 6	Price	Prev. day
Daily	1001.58	995.01

■ COFFEE LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	1540	+30	1556	1515	298	3,507
Jan	1455	+45	1476	1415	7,345	17,381
Mar	1392	+37	1400	1355	1,779	8,732
May	1372	+33	1380	1350	525	4,257
Jul	1370	+30	1370	1350	122	534
Sep	1370	+30	1370	1355	35	150
Total					10,110	34,593

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	127.35	+3.05	128.25	123.80	5,423	10,081
Mar	112.35	+0.95	113.10	109.50	4,732	12,193
May	108.00	+0.50	109.00	108.30	657	3,939
Jul	107.00	+0.50	107.80	106.50	87	1,122
Sep	105.50	+0.05	106.80	105.50	59	657
Dec	104.25	-0.15	104.75	104.75	30	431
Total					11,088	28,498

■ COFFEE (ICO) (US cents/pound)

Nov 6	Price	Prev. day
Comp. daily	99.14	97.90
15 day average	96.88	96.82

■ WHITE SUGAR LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	305.7	+1.2	306.3	304.5	1,247	3,754
Mar	305.2	+1.2	306.0	303.9	1,985	13,386
May	305.6	+0.7	306.5	304.5	114	4,568
Aug	307.6	+0.5	308.0	307.5	107	1,876
Oct	302.2	+0.5	302.5	301.8	59	1,092
Dec	304.7	+0.6	305.5	305.0	54	288
Total					3,576	25,305

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	10.48	+0.08	10.51	10.39	10,309	86,960
May	10.54	+0.06	10.55	10.49	1,450	30,136
Jul	10.45	+0.05	10.45	10.39	646	19,124
Oct	10.44	+0.04	10.44	10.39	457	11,310
Mar	10.45	+0.04	10.48	10.41	210	3,607
May	10.44	-0.04	10.44	10.43	10	803
Total					13,082	152,637

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	71.54	+0.17	71.85	71.20	8,209	23,949
Mar	73.59	+0.14	73.80	73.30	3,518	14,951
May	74.75	+0.10	74.80	74.45	857	9,126
Jul	75.55	+0.15	75.55	75.25	464	8,755
Oct	75.65	-0.10	75.75	75.60	4	1,244
Dec	75.55	-0.06	75.80	75.50	171	4,584
Total					13,262	61,092

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	112.25	+0.30	112.70	112.30	216	4,408
Jan	98.35	+0.60	98.70	98.90	629	9,393
Mar	102.00	+0.60	102.30	101.75	104	4,800
May	104.50	+0.65	104.70	104.25	27	1,251
Jul	106.50	+0.65	-	-	4	625
Sep	108.45	+0.60	108.05	108.05	-	252
Total					976	20,924

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Dec	66.575	-0.500	67.025	66.425	7,958	36,151
Feb	63.825	-0.200	64.050	63.450	2,580	19,966
Apr	65.750	-0.150	65.875	65.425	1,612	13,405
Jun	63.325	-0.200	63.475	63.125	561	5,420
Aug	62.675	-0.225	62.800	62.625	209	6,527
Oct	65.300	-0.200	65.500	65.175	559	3,835
Total					13,904	85,886

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Dec	56.700	-0.100	56.950	56.250	3,793	12,420
Feb	78.650	+0.300	76.900	76.075	2,333	9,034
Apr	71.675	+0.125	71.925	71.300	953	3,473
Jun	75.300	+0.050	75.900	75.350	468	3,538
Jul	73.100	-0.125	73.100	72.600	44	938
Aug	69.875	+0.025	69.900	69.500	140	955
Total					7,774	30,945

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	72.900	+1.050	73.000	71.350	2,103	4,806
Mar	72.725	+0.775	72.750	71.450	175	512
May	74.450	+1.200	74.450	72.700	104	437
Jul	73.825	+0.625	73.825	72.800	49	272
Aug	71.475	+0.500	71.475	70.900	1	47
Total					2,432	6,074

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Dec	Mar	Dec	Mar
1400	74	111	11	33
1425	19	57	58	78
1450	3	26	139	144
■ COPPER (Grade A) LME	**Dec**	**Mar**	**Dec**	**Mar**
1900	167	169	14	769
2000	95	117	42	123
2100	46	77	92	182
■ COFFEE LIFFE	**Jan**	**Mar**	**Jan**	**Mar**
1400	89	75	34	83
1450	61	55	55	113
1500	40	39	85	147
■ COCOA LIFFE	**Dec**	**Mar**	**Dec**	**Mar**
900	16	52	12	16
925	6	39	27	28
950	3	29	49	43
■ BRENT CRUDE IPE	**Dec**	**Jan**	**Dec**	**Jan**
2200	-	83	15	76
2250	20	-	41	-
2300	11	-	79	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$20.28-0.38x	-0.14
Brent Blend (dated)	$21.70-1.75	-0.17
Brent Blend (Dec)	$22.25-2.30	-0.17
W.T.I.	$22.75-2.80x	-0.165

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

		+or-
Premium Gasoline	$231-233	-4
Gas Oil	$219-220	+4
Heavy Fuel Oil	$107-109	+1
Naphtha	$220-221	-0.5
Jet fuel	$241-243	+4
Diesel	$229-230	+4

■ NATURAL GAS (Pence/therm)

		+or-
Bacton (Dec)	15.00-5.25	-0.325

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

		+or-
Gold (per troy oz)‡	$380.45	+2.50
Silver (per troy oz)‡	487.50c	+9.50
Platinum (per troy oz.)	$381.25	+1.50
Palladium (per troy oz.)	$116.50	
Copper	99.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	14.82r	-0.03
Tin (New York)	275.50	+1.00
Cattle (live weight)	99.83p	+2.47*
Sheep (live weight)	128.90p	+6.35*
Pigs (live weight)†	88.85p	-5.10*
Lon. day sugar (raw)	$260.70	+1.60
Lon. day sugar (wte)	$309.80	-0.70
Barley (Eng. feed)	£100.4	+0.4
Maize (US No3 Yellow)	127.0	
Wheat (US Dark North)	Unq	
Rubber (Dec)¥	80.75p	+0.25
Rubber (Jan)¥	80.75p	+0.25
Rubber (KL RSS No1)	321.5z	-0.5
Coconut Oil (Phil)§	$755.0v	-5.0
Palm Oil (Malay.)§	560.0z	+7.5
Copra (Phil)§	$438.0z	
Soyabeans (US)	189.0c	+2.0
Cotton Outlook'A' index	75.20	-0.30
Wooltops (64s Super)	403p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Dec. v Oct/Nov. x Nov ¥ London Physical. § CIF Rotterdam. ‡ Bullion market close. * Change on week. †Based on 1,694 head of pigs sold.

FUTURES DATA
All futures data supplied by CMS.

Wool
Prices eased slightly overall at wool auctions in the main primary markets this week. The main Australian indicator, the EMI, was down just 6 cents to 570; and in New Zealand there was a small 3 cent decline to 464 cents. South Africa, with rand weakness less potent in recent days, was down by just over 1%. The market thus continued to show a slightly easier tendency, after easing for many categories during September, accelerating to a general low point in October, and then recovering only briefly and to a small extent before resuming a softer undertone. Wool international stockpile sales have been relatively low, and the quarterly quota is in danger of being missed.

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Nov 7	Nov 6	month ago	year ago
1858.5	1851.3	1891.3	2137.8

■ CRB Futures (Base: 1967 = 100)

Nov 6	Nov 5	month ago	year ago
237.03	236.13	248.61	-

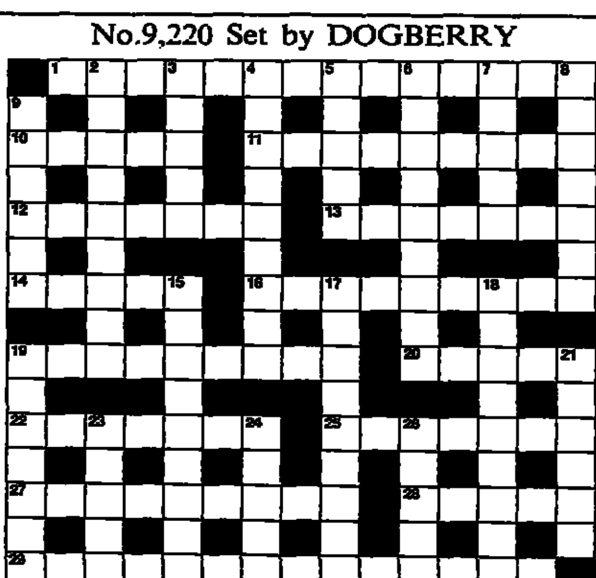
■ GSCI Spot (Base: 1970 = 100)

Nov 6	Nov 5	month ago	year ago
203.06	202.48	211.39	183.56

JOTTER PAD

CROSSWORD

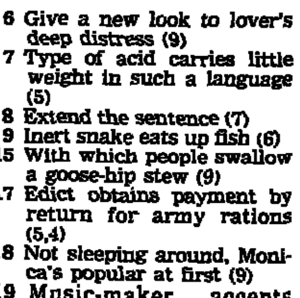
No.9,220 Set by DOGBERRY



ACROSS
1 Arid charts enlivened by USSR composer (7,7)
10 On reflection, lows include many a scene of depravity (5)
11 Pirate, perhaps, left below in the Traveller's Return (9)
12 Redhead in bar makes selection (7)
13 Swindle animal tender out of firm's bird-house (7)
14 Make proposition to little angel (5)
16 Racer to pound big shoe to pieces (3-6)
19 Rigid coat of strong pitch enveloping hospital (4,5)
20 Gone to get a dish (5)
22 Sources of precise cooking (7)
25 Veil drawn when Her Majesty pierces beast (7)
27 A fancy air going ahead at the double (4-5)
28 Shakespearean spirit – one in Lear, perhaps? (5)
29 Monarchs of the Bog, in step, stopping where one shouldn't (7,7)

DOWN
2 Many in the country take hill guide (9)
3 Bard's woman's in order? Vice versa (5)
4 About to express being competent and trustworthy (9)
5 Seafood at a shilling a pound (5)
6 Give a new look to lover's deep distress (9)
7 Type of acid carries little weight in such a language (5)
8 Extend the sentence (7)
9 Inert snake eats up fish (6)
15 With which people swallow a goose-hip stew (9)
17 Edict obtains payment by return for army rations (5,4)
18 Not sleeping around, Monica's popular at first (9)
19 Music-maker accepts priest's disfigurement (4-3)
21 Corrosive stuff for a student of divinity (6)
23 Singers' heart-escapade missing the point (5)
24 On which children play jazz (5)
26 Narrow escape from quiet salutation (5)

Solution 9,219



FT MANAGED FUNDS SERVICE

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

Pembroke Hall, Pembroke, Bermuda

UK Prof Advisers 0800 414161 — Jersey 01534 71696

Private Clients 0800 414181 — 00 352 250404230

From O'seas (44) 1732 777377 — Hong Kong (852) 848 1000

Fund	Selling Price	+ or -	Yield Gr's
A$ Accum	A$19.180	+0.003	5.80
ASch Accum	Sch246.16	+0.01	2.00
C$ Accum	C$18.724	+0.005	2.40
DM Accum	DM30.357	+0.002	1.90
DFl Accum	DFl71.687	+0.001	1.70
ECU Accum	Ecu13.514	+0.001	3.00
FFr Accum	FFr67.112	+0.017	2.30
HK$ Accum	HK$121.52	+0.01	4.30
Lira Accum	L23080	+4	7.20
NZ$ Accum	NZ$40.077	+0.009	8.00
NKr Accum	NKr112.71	+0.01	3.40
S$ Accum	S$26.085	+0.007	2.50
SPta Accum	Pta2744.0	+0.5	5.90
£ Accum	£13.180	+0.002	4.90
SKr Accum	SKr121.39	+0.01	3.60
SFr Accum	SFr20.308	---	0.50
US$ Accum	$25.570	+0.011	4.40
Yen Accum	Y2680.5	—	0.10

Prices for dealing November 7

Jupiter Tyndall (Bermuda) Ltd

PO Box HM1258, Hamilton, Bermuda 001 809 292 2780

Jupiter Tyndall World Umbrella Fund Ltd

M & G (Guernsey) Ltd

Westbourne, The Grange, St Peter Port 01481 722683

Fund	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
Island Global Fd	0	1796.2	1904	+10.7	0.97
Island Gold	0	4047.2	4290	—	0.152
(Accum. Units)	0	7717.1	8180.1	—	0.152
Island UK Fd	0	1012.8	1073.6	-8.1	3.51
(Accum Units)	0	2490.4	2639.8	-16.2	3.51

Prudential Fund Managers (Guernsey) Ltd

Po Box 61, St Peter Port Guernsey 01481 707000

Prudential Money Funds Ltd

Fund	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
Managed Sterling		150.6xd	150.6	-0.9	4.04
Managed Dollar	5	$14.32xd	14.33	+0.03	3.74
Dollar Deposit		$10.0xd	10.02	+0.01	3.74

Rothschild Asset Management (CI) Ltd

PO Box 242, St Peter Port, Guernsey 01481 7197423

Fund	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
Five Arrows Latin Am Dist	5	$14.07	15.19	—	0

Five Arrows International Bond Funds

Fund	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
FAIB £ Bond	3½	£21.57	22.92	-0.02	5.42
FAIB US$ Bond	3½	$33.04	34.18	+0.03	5.84
FAIB £ Global	3½	£17.54	18.14	+0.17	5.80
FAIB US$ Global	3½	$31.35	32.41	+0.18	4.87

Five Arrows International Reserves Ltd

Fund	Selling Price	+ or -	Yield Gr's
FAIRL £	£45.180	+0.006	4.87
FAIRL A$	A$50.199	—	5.70
FAIRL C$	C$66.467	—	2.48
FAIRL DFl	DFl100.523	—	1.89
FAIRL DKr	DKr398.94	—	2.43
FAIRL DM	DM86.113	—	1.96
FAIRL ECU	Ecu21.973	—	3.11
FAIRL BFr	BFr2043.87	+0.180	1.86
FAIRL FM F	FM302.19	—	2.02
FAIRL FFr	FFr448.169	+0.029	2.48
FAIRL HK$	HK$101.8	—	4.13
FAIRL Lira	L144559	—	7.02
FAIRL NZ$	NZ$48.596	—	8.57
FAIRL NKr F	NKr400.255	—	3.10
FAIRL S$	S$87.182	+0.080	2.33
FAIRL R F	R300.771	—	14.28
FAIRL Pta	Pta4497.44	—	6.58
FAIRL SF	SFr77.299	—	0.51
FAIRL SKr	SKr203.09	—	3.78
FAIRL U.S.$	$82.900	—	4.30

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

Murray Johnstone (Dublin) Ltd

Europa House, Harcourt St, Dublin 2 3531 407 2000

Murray Global Accumulation Fund Plc

Fund	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
Murray Financials Bond	2	103.43		-0.01	5.80

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Odey Asset Management Ltd

60 Harcourt Street, Dublin 2 00 3531 780 2400

Fund	Selling Price	+ or -	Yield Gr's
Odey European Gth Inc	DM158.33	--	-
Odey European Gth Acc	DM158.92	--	-
Odey European Gth Inc	£63.64	—	-
Odey European Gth Acc	£63.77	—	-

Old Mutual International Fd Mngrs Ltd (u)

9/11 Lower Mount Street, Dublin 2 Ireland 00 3531 6621555

Baring Mutual (Ireland) Ltd

Fund	Selling Price	Buying Price	+ or -	Yield Gross
Umbrella Fund Inc	$12.64	13.23	—	0.00
Greater America Fund '92	$696.58		—	0.00
Pacific Emerging 94 A	$84.98		—	0.00
Pacific Emerging 94 B	$81.46		—	0.00
Latin America	$07.65		-0.01	0.00
Taiwan Fund NAV	$10.47		+0.34	0.00

Berkshire KITC Growth Fund Plc

Fund	Selling Price	+ or -	Yield Gross
NAV Sep 13	$6.92	-0.20	-

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

LUXEMBOURG (SIB RECOGNISED)

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
ABN AMRO Funds (a)						
4 Rue Jean Monet, L-2180 Luxembourg 352 424946[illegible]						
Latin America Equity			$45.39	40.12	—	-
North America Equity			[illegible]	[illegible]	—	-
Asian Tigers Equity			$61.75	62.37	—	-
Europe Equity			[illegible]	73.91	—	-
Germany Equity			[illegible]	135.00	—	-
Japan Equity			[illegible]	47.93	—	-
Europe Bond			[illegible]	61.35	—	-
US Bond			[illegible]	[illegible]	—	-
Global Bond			$91.22	91.37	—	-
Germany Bond B			[illegible]	109.18	—	-
Spain Bond			[illegible]	[illegible]	—	-
Eastern Europe Equity F			[illegible]	190.90	—	-
China Equity F			[illegible]	57.40	—	-
Switzerland Equity			[illegible]	134.20	—	-
Abtrust Fund Mngrs Luxembourg SA (u)						
4 Boulevard Royal L 2449 Luxembourg 00 352 227001						
Global Cap Portfolio			[illegible]		+0.043	-
United States Portfolio			[illegible]		+0.128	-
Contl Europe Portfolio	0		[illegible]		[illegible]	-
Japan Portfolio			[illegible]		[illegible]	-
Pacific Portfolio			[illegible]		+0.072	-
Gold Portfolio			[illegible]		-0.080	-
UK Growth of Income			[illegible]		+0.005	3.81
Dollar Portfolio			[illegible]		+0.001	7.03
Sterling Portfolio			[illegible]		-0.001	6.30

Aetna Master Fund (u) (x)
21 avenue de la Liberte, L-1931, Lux 00 352 476 [illegible]

[illegible]

Fidelity Funds - Contd.

Country Select Funds

	Selling Price	+ or -	Yield
ASEAN	$18.63	+0.29	-
Asian Special Situations	$10.84	+0.20	-
Australia	A$18.91	+0.02	1.27
Emerging Markets	[illegible]	[illegible]	-
European Sm Cap F	DM13.72	+0.01	-
France	[illegible]	+0.30	-
Germany	DM21.56	+0.16	-
Hong Kong	$51.44	+1.24	0.68
Iberia	Pta1803	+18	-
Indonesia	$10.30	+0.04	-
Italy	L14410	+198	-
Japan Smllr Cos	Y7045	+7	-
Korea F 0	$7.974	+0.009	-
Latin America	[illegible]	+0.036	0.65
Malaysia	$34.25	+0.20	-
Nordic	[illegible]	[illegible]	-
Singapore	$24.14	+0.24	-
Switzerland	SFr15.09	+0.12	-
Thailand	$27.83	+0.65	-
United Kingdom	£1.129	-0.003	-
Bond Funds			
European	Ecu11.17	+0.04	[illegible]
International	$1.080	+0.003	[illegible]
US Dollar	$5.085	+0.008	5.72
Sterling	£0.280	+0.001	[illegible]
Yen	Y1875	+7	2.45
Balanced			
European Balanced	DM12.66	+0.05	1.92

Prices as at November 6

Fleming Group (u)
6 Route De Treves L-2633 Senningerberg Luxembourg
[illegible]

Mercury Asset Management S.A. - Contd.

[illegible]

Midland Intl Circuit Fund SICAV (u)

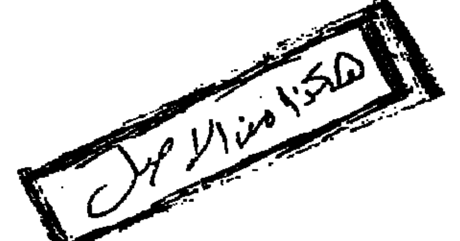
[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

OFFSHORE INSURANCES

[illegible]



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Old Mutual International (Guernsey) Ltd

PO Box 121, St. Peter Port Guernsey 01481 726726

	Selling Price	Buying Price	+ or -	Yield Gross
£ Stg Managed	£4.440	4.775	-0.051	-
£ European Stockmkt	£4.925	5.250	-0.138	-
£ UK Stockmkt	£5.070	5.452	-0.066	-
£ Sterling Special Mkt	£4.792	5.153	-0.147	-
£ UK Fixed Interest	£4.764	5.122	-0.052	-
£ Stg Money Mkt	£2.972	3.195	+0.002	-
£ Capital Guarantee	£1.715	1.844	+0.001	-
$ Dollar Managed	$3.328	3.578	+0.017	-
$ Intl Stockmkt	$4.206	4.523	-0.018	-
$ US Dollar Bond	$1.385	1.489	+0.025	-
$ Nth Am Stockmkt	$3.668	3.941	+0.081	-
$ Japan Stockmkt	$1.629	1.732	-0.005	-
$ Pacific Stockmkt	$5.305	5.705	+0.019	-
$ Emerging Asian Stockmkt	$2.229	2.397	+0.019	-
$ Hong Kong Stockmkt	$7.378	7.931	+0.105	-
$ Intl Fixed Interest	$3.835	4.124	+0.028	-
$ Intl Mngd Currency	$2.443	2.635	+0.001	-
$ Dollar Money Mkt	$2.280	2.450	+0.001	-
$ Latin American Stockmkt	$0.936	1.007	+0.003	-
$ Dollar Special Mkt	$1.075	1.169	-0.006	-
$ Emerging Market Bond	$1.182	1.271	+0.029	-
$ Emerging Stockmarkets	$0.834	0.897	+0.005	-
G'teed Futures1 Sep '98		$1.778	+0.043	-
G'teed Futures2 Mar '99		$1.545	+0.035	-
G'teed Futures3 Sep '99		$1.784	+0.043	-
G'teed Futures4 Dec 2000		$1.650	+0.046	-
G'teed Futures5 Dec 2001		$0.795	-0.016	-
Guaranteed 155 Futures Bond		$1.162	+0.014	-
Swiss Franc Managed	SFr6.878	7.396	+0.021	-
Swiss Franc Money Mkt	SFr1.296	1.393		-
Convertible	SFr1.033	1.112	+0.010	-
DEM Deutschemark Mngd	DM2.647	2.846	+0.001	-
$ Secure Stockmkt Index	$0.934	1.005		-
£ Secure Stockmkt Index	£0.945	1.017		-
Broker Managed Funds				
£ OFS Global Port	£1.347	1.449	-0.030	-
£ YRA Worldwide	£1.333	1.433	-0.024	-
$ YRA Dlr Worldwide	$1.506	1.619	+0.004	-
Young & Co Stmd P'folio	$1.288	1.381	-0.001	-
Pioneer Mid Term Agg	$1.150	1.236	+0.010	-
Pioneer Long Term Cons	$1.094	1.176	-0.004	-
Pioneer Long Term Agg	$0.898	0.965	+0.015	-

AXA Asset Management

	Selling Price	Buying Price	+ or -	Yield Gross
AXA Valeurs	FFr186.70		-	-
AXA Second Marche Compart	FFr128.91		-	-
AXA Europe Actions	FFr264.88		-	-
AXA NPL	FFr120.17		-	-

Acciones y Valores de Mexico SA de CV

	Selling Price	Buying Price	+ or -	Yield Gross
Accival Nov 5	Pesos61.81		+0.29	0.25

Africa Emerging Markets Fund

	Selling Price	Buying Price	+ or -	Yield Gross
NAV Nov 6	$12.44		-	-

Agribusiness Fund Management Co

	Selling Price	Buying Price	+ or -	Yield Gross
ABC Bond	$10.00		-	-
Class	$1.06		-	-

Alliance Capital

	Selling Price	Buying Price	+ or -	Yield Gross
International	$17.43	18.62	+0.16	-
International Class B	$15.93		+0.15	-
Quasar	$27.76	29.98	+0.23	-
Quasar Class B	$25.85		+0.22	-
Global Small Cap	$12.83	13.09	+0.10	-
Global Small Cap Class B	$11.87		+0.09	-

Allied Dunbar International Fund Mngrs (1600)F

	Selling Price	Buying Price	+ or -	Yield Gross
ADI Emerging Asia	$0.6845	0.7317	+0.0049	0

Alnista Capital Management Ltd

Alnista Growth Fund and Unit Trust

	Selling Price	Buying Price	+ or -	Yield Gross
Class A	$98.24	99.21	-	-
Class B	$98.24	99.21	-	-

Alpha Fund Management Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Alpha Europe Sep 30	Ecu264.06		-	-
Alpha Futures Sep 30	$258.21		-	-
Alpha Global Sep 30	$998.19		-	-
Alpha Atlas Sep 29	$109.96		-	-
Alpha Atlas Fd Ltd NRC Ci	$140.74		-	-
Alpha Atlas Turn Class Oct 31	$117.43		-	-
Alpha Hedge Class A Aug 31	$535.66		-	-
Alpha Hedge Class B Aug 31	$134.24		-	-
Alpha Hedge Class C Aug 31	$136.70		-	-
Alpha Latin Am Aug 31	$307.48		-	-

	Selling Price	Buying Price	+ or -	Yield Gross
GAM Trading US$	$239.34		+1.24	-
GAM Tyche	$458.53		-	-
GAM U.S.	$341.27		-	-
GAM Universal US$	$182.14		-	-
GAM Worldwide	$830.91		-	-
GAMerica	$520.73		-	-
GAMut Investments	$1094.38		-	-
GSAM Composite	$301.18		-	-
GSAM CHF Composite	SFr102.46		-	-
GSAM DM Composite	DM122.54		-	-
GSAM Money Mkt US$	$101.79		+0.05	4.78
Do Sterling	£101.85		+0.04	5.38
Do Swiss Franc	SFr100.35		+0.01	0.85
Do Deutschmark	DM100.77		+0.02	2.10
GSAM Oracle	$181.81		-2.04	-

	Selling Price	Buying Price	+ or -	Yield Gross
JF Japan Small Co	Y40229	42570	+135	-
JF Japan Tech Tst	Y30865	32654	+182	-
JF Korea Trust	$7.75	8.21	+0.10	-
JF Malaysia Tst	$32.26	34.14	+0.05	-
JF New Zealand Tst	$19.56	20.74	+0.21	-
JF Nomura Asia Tst	$15.88			-
JF Pacific Inc Tst(s)	$14.39	15.23	+0.22	-
JF Pacific Smlr Cos Tst	$7.71	8.17	+0.08	-
JF Pacific Secs Tst(s)	$53.40	56.50	+0.88	-
JF Pakistan Trust	$3.59	3.81	+0.17	-
JF Philippine Tst	$105.45	111.58	+0.55	-
JF Taiwan Trust	$11.39	12.06	+0.06	-
JF Thailand Tst	$33.41	35.36	+0.75	-
JF India	$19.15	20.27	-0.06	-
JF Indonesia Trust	$9.91	10.50	+0.04	-

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Global Asset Management - Contd.

GAM Strategic

	Selling Price	Buying Price	+ or -	Yield Gross
Diversity Strategic A	122.10		-0.11	-
Diversity Strategic B	119.85		-0.14	-
European Strategic A	121.03		-	-
European Strategic B	118.59		-	-
Trading Strategic A	119.95		+0.58	-
Trading Strategic B	118.19		+0.85	-
Developing Mkts Strategic A	112.23		-0.25	-
Developing Mkts Strategic B	113.40		-0.35	-

Jardine Fleming Unit Trusts Ltd - Contd.

International Funds

	Selling Price	Buying Price	+ or -	Yield Gross
JF American Growth Tst	$27.43	29.02	+0.16	-
JF Continental Euro Tst	$4.10	4.35	+0.04	-
JF European Tst(s)	$16.96	17.97	+0.08	-
JF Germany Tst	DM11.76	12.46	+0.12	-
JF Global Bond & Currency Fd	$17.55	18.61	+0.07	6.4
JF Global Convertibles Tst	$14.17	15.00	+0.12	-
JF Global Securities Tst	$23.55	24.93	+0.25	-
JF International Bond	$10.61	11.01	+0.02	-
JF Managed Currency Fd	$16.70	16.62	-0.02	-

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

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ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

The Financial Times plans to publish a Survey on

Greece

on Thursday, November 28

Interest will focus on Greece after the September 22 election as a stabilising factor in the area and as a springboard for investments in the Balkans and eastern Europe in general.

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AIM - Cont.

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SUPPORT SERVICES - Cont.

RETAILERS, FOOD

TELECOMMUNICATIONS

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind	g	£21½xd	—	*£34¼	£21½	1,724	3.3	Φ
Barlow	‡†	853	-2	£10½	£5¾	1,042	2.3	–
Gold Flds Prop R		125½	-½	170	120	12.8	6.2	10.8
NK Props		62	—	96	60	2.49	13.3	–
SASOL	♥	845	—	710	475	3,777	1.6	–
SA Brews		£15¼	-¼	£28¼	£15¼	4,518	2.1	Φ
Standard Bank		£22	-⅜	£32⅞	£21⅞	2,636	1.5	20.8
Tiger Oats	†	780	—	1270	770	1,189	1.9	17.9
Tongaat-Hulett		683¼xd	-2	1247	683	646.7	2.5	Φ

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Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formats.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ☨ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on assumed dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
N Dividend is paid in whole or part as a

FID (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xf ex capital distribution.

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LONDON STOCK EXCHANGE

Interest rate fears cast shadow over equities

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

Mounting downside pressures on gilts and a widespread lack of conviction across European markets about Wall Street's ability to build on its post-election surge exacted a heavy toll on London's equity market.

An early mark-up of UK stocks, in response to Wednesday's 96-point jump in the Dow Jones Industrial Average, was reversed within minutes of the opening of the UK market as gilts attracted fresh waves of selling pressure.

At the end of a day of erratic movements in leading stocks, the FTSE 100 index just managed to close above the psychologically important 3,900 level, although it briefly dipped below it on a couple of occasions. It finished a net 35.3 off at 3,900.4, a fall of almost 1 per cent and its lowest level since September 6.

Footsie has now fallen 172.7 points since reaching its all-time closing high, 4,073.1, on October 21, burdened by a rise in UK interest rates and the prospect of more increases in rates.

The FTSE 250 index outperformed the senior benchmark with a closing loss of 19.6, or 0.4 per cent, at 4,394.3. The SmallCap suffered only a marginal loss, dipping 2.7 to 2,159.9.

The gilt market gradually lost heart yesterday and eventually closed with losses of more than a point at the long end.

Marketmakers, wary of the reliability of Wall Street, mostly took the view that a setback in the Dow would trigger further losses in London, although some point to the increasing differential between Footsie and the Dow, now at an all-time record in nominal terms, as providing some support to London.

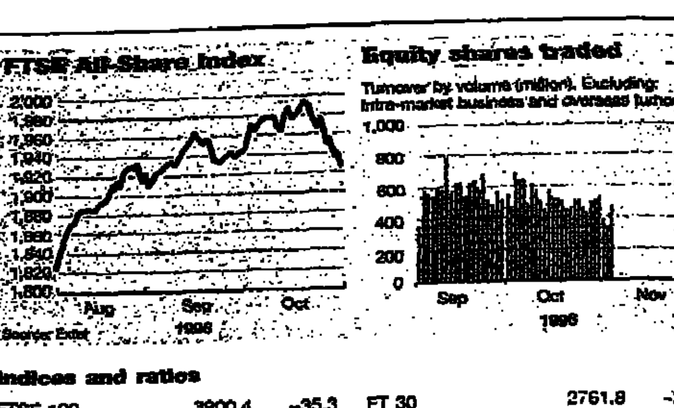
UK strategists are becoming increasingly nervous about the potential for further losses in London. Mr Richard Kersley at BZW said the pressures on UK stocks come from two angles. He pointed out that the UK is just about the only country where the interest rate outlook is deteriorating. To make matters worse, he said, the recent strength of sterling means 1997 earnings estimates are coming under pressure. Dollar-sensitive stocks, such as oils and drug stocks, comprise a big slice of Footsie.

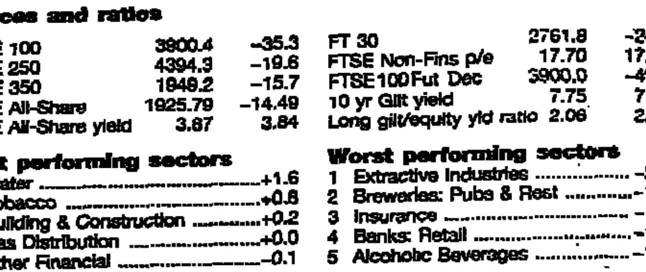
"It will be very difficult for the market to make progress in those circumstances," Mr Kersley said.

There was some comfort for the markets in a good rally on Wall Street, where the Dow quickly recovered from an early 20-point fall and was hanging on grimly to a small rise some 90 minutes after London closed.

Turnover in equities reached 803.3m, well above recent levels, but volume was inflated by a massive "bed and breakfast", or tax-related deal, which saw 119m British Gas traded at a discount to the market price. The Gas deal accounted for 13.5 per cent of overall turnover.

Utilities attracted keen interest with water stocks responding to hopes that Labour's proposals for a "windfall profits" tax might run into legal opposition. The excitement in the recs, triggered by US bid news in East Midlands, fizzled out after Dominion Resources said it was unlikely to pay more than 608p a share.





Indices and ratios

FTSE 100	3900.4	-35.3	FT 30	2761.8	-24.9
FTSE 250	4394.3	-19.6	FTSE Non-Fins p/e	17.70	17.70
FTSE 350	1949.2	-15.7	FTSE100 Fut Dec	3900.0	-49.0
FTSE All-Share	1925.79	-14.49	10 yr Gilt yield	7.75	7.61
FTSE All-Share yield	3.87	3.84	Long gilt/equity yld ratio	2.08	2.06

Best performing sectors		Worst performing sectors	
1 Water	+1.6	1 Extractive Industries	-2.1
2 Tobacco	+0.8	2 Breweries, Pubs & Rest	-1.5
3 Building & Construction	+0.2	3 Insurance	-1.3
4 Gas Distribution	+0.0	4 Banks: Retail	-1.3
5 Other Financial	-0.1	5 Alcoholic Beverages	-1.2

Airtours hit by referral

By Lisa Wood, Peter John and Joel Kibazo

The announcement that the Monopolies and Mergers Commission is to investigate vertical integration in the travel industry and whether links between holiday companies and high-street travel companies give customers enough choice hit the sector.

Airtours fell 61½ to 651½p in spite of maintaining the investigation would show the consumer had actually been the main beneficiary of vertical integration.

Inspirations, which has links with travel agents, fell 16 to 82½p. But First Choice – which has been criticised for not being vertically integrated – softened half a penny to 59½p. Thomas Cook has been unwinding its stake in First Choice and currently has only 11 per cent.

One analyst said that, whatever the outcome, the investigation itself would lead to a period of uncertainty for the industry.

An independent future for Northern Electricity looked doubtful yesterday. CalEnergy of the US, which last week announced its intention to buy Northern, revealed that it had picked up almost 20 per cent of the UK group's shares. And, as the market began to fret about referrals to the MMC, Northern's share price slid below the CE offer price. One analyst said the company was "bleeding to death".

Northern's weakness means that, however spirited the defence by Northern or its advisers, CE was able to get closer to control of Northern merely by buying stock in the market. Northern closed 7 lower at 623½p.

The three remaining independent recs not to have attracted a bid – London, Southern and Yorkshire – fell as the conviction grew that a bid for them would definitely not be permitted.

East Midlands Electricity recoiled yesterday almost as if the market was embarrassed that it had got so excited ahead of the bid interest from Dominion Resources.

Having shot up 70 to hit – uncannily – the very level at which Dominion suggested it was thinking of paying, the shares trickled back 15 to 592½p.

Shareholders are running scared of a referral of any offer to the Monopolies and Mergers Commission and, with East Midlands shares up more than a pound from their lower levels, investors are happy to take profits.

There was also disappointment that an actual bid did not materialise following Dominion's comments late on Wednesday that it was considering making an offer.

Furthermore, East Midlands said it would "reject an offer at that [608p] level" and most analysts concurred, arguing the company had a take-out value of at least 650p a share.

Water shares, which have been left behind by their electrical counterparts because of the lack of corporate activity in recent months, bubbled higher.

The move was prompted by an earlier recommendation from HSBC James Capel for Severn Trent, whose shares are now valued at about 700p by analysts following the refusal by the secretary of state for trade and industry of Severn's bid for South West Water.

International carrier British Airways bucked the poor market trend on hopes of a positive announcement on the "open skies" talks between the US and UK. The shares gained 5 to 567½p.

The group reported improved figures earlier this week and ABN Amro Hoare Govett and NatWest Securities yesterday became the latest brokers to issue positive statements on the stock.

British Gas traded 119m shares shortly before dealing closed yesterday. The unusually large volume sent the pulses of gas specialists racing – but only briefly. The deal was carried out at 180p a share, significantly below the underlying price, and it transpired that it probably represented little more than a "bed and breakfast" or tax-related trade. The finger of suspicion pointed at Prudential, the insurer, which has a stake in excess of 100m shares. Gas shares closed unchanged at 189p.

RTZ, one of the world's biggest mining companies, fell 23 to 919¼p after UBS highlighted the company following a wide-ranging review of the leading dollar earners among the mining and conglomerate sectors.

The broker turned seller and cut forecasts for this year and next by about 6 per cent in response to the effects of a strong pound on the company's profits.

It reduced its 1996 earnings estimate to $1.14bn from $1.15bn, and the 1997 figure to $1.265bn from $1.325bn.

Recent downgrades in the engineering sector continued to cast a shadow over leading issues in the sector.

T&N, the subject of sharp downgrades earlier this week, eased 3½ to 125½p, with dealers suggesting the market is concerned about the company's determination to maintain its pursuit of Kolbenschmidt, the German pistons manufacturer.

In the rest of the engineers, GKN came under pressure as dealers focused on difficulties in the motor components sector highlighted by T&N earlier this week. Around a third of group turnover at GKN is derived from the European automotives. Shares in the group fell 27½ to 1115p.

Profit-taking was the order in the rest of the other sector leaders. British Aerospace gave up 9½ to 1137½p, while Smiths Industries surrendered 10 to 783½p. Rolls-Royce shed 7½ to 246½p. Mercury Asset Management revealed it had sold 13.8m shares reducing its stake by almost one percentage point to 10.98 per cent.

Boots fell 10 to 611p after results at the top end of expectations, but worries about rising costs resulted in a number of downgrades.

Burton's year-end results pleased analysts with most planning to increase their forecasts. ABN-Amro Hoare Govett increased its full-year forecast from £180m to £187m and UBS lifted its forecast by £5m to £185m. Burton strengthened to 145½p.

Kwik Save climbed 17½ to 321½p after announcing at its results that it was maintaining its dividend. The food retailer revealed a drop in pre-tax profits due to an exceptional charge. As expected, the company also announced a large-scale restructuring with the closure of stores.

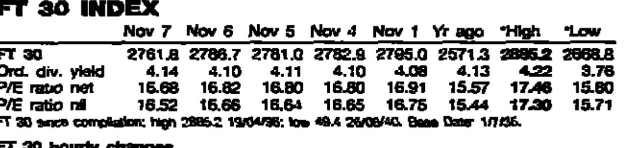
Continuing worries about the German economy and the impact of a strong pound on overseas earnings adversely affected a number of building materials stocks. RMC Group fell 30 to 1016½p.

Brands Hatch Leisure, which runs four motorsports circuits, started its stock market life at full throttle, moving to a 20½ premium to the flotation price of 157p.

FT 30 INDEX

	Nov 7	Nov 6	Nov 5	Nov 4	Nov 1	Yr ago	*High	*Low
FT 30	2761.8	2786.7	2781.0	2782.9	2795.0	2571.3	2885.2	2668.8
Ord. div. yield	4.14	4.10	4.11	4.10	4.08	4.13	4.22	3.76
P/E ratio net	16.68	16.82	16.80	16.80	16.91	15.57	17.46	15.80
P/E ratio nil	16.52	16.66	16.64	16.65	16.75	15.44	17.30	15.71

FT 30 since compilation: high 2885.2 19/04/96; low 49.4 26/06/40. Base Date 1/7/35.



FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2798.6	2778.1	2774.1	2768.6	2768.2	2767.8	2760.6	2766.5	2763.3	2798.6	2759.9

	Nov 7	Nov 6	Nov 5	Nov 4	Nov 1	Yr ago
SEAQ bargains	38,308	39,163	37,683	36,380	35,535	24,513
Equity turnover (£m)†	-	1357.4	1448.6	1001.4	907.9	1547.2
Equity bargains†	-	26,973	28,280	25,803	23,400	29,523
Shares traded (mil)†	-	452.6	478.3	339.7	386.1	645.3

†Excluding intra-market business and overseas turnover.

	Nov 7	Nov 6	Nov 5	Nov 4	Nov 1	Yr ago	*High	*Low
FTSE AIM	1019.70	1026.40	1029.50	1029.70	1025.40	-	1146.40	985.70

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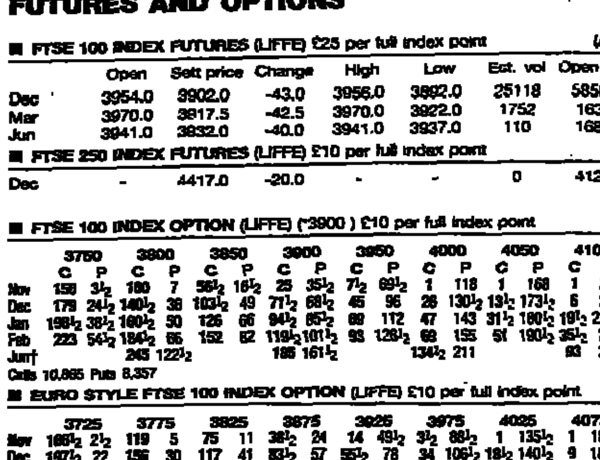
■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	356	Total Highs	60	Total contracts	43,198
Total Falls	888	Total Lows	107	Calls	19,895
Same	1,368			Puts	23,303

Nov 7 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS



■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3954.0	3902.0	-43.0	3956.0	3892.0	25118	58506
Mar	3970.0	3917.5	-42.5	3970.0	3922.0	1752	1636
Jun	3941.0	3932.0	-40.0	3941.0	3937.0	110	1683

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

Dec	-	4417.0	-20.0	-	-	0	4129

■ FTSE 100 INDEX OPTION (LIFFE) (*3900) £10 per full index point

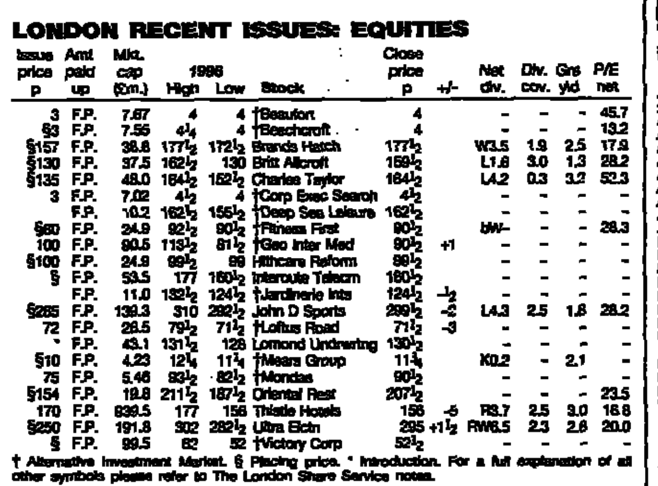
[illegible]

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

Calls 2,148 Puts 6,442 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES



Issue price p	Amt paid up	Mkt. cap (£m.)	1996 High	1996 Low	Stock
3	F.P.	7.67	4	4	†Beaufort
§3	F.P.	7.55	4¼	4	†Beechcroft
§157	F.P.	38.8	177½	172½	Brands Hatch
§130	F.P.	37.5	162½	130	Britt Allcroft
§135	F.P.	48.0	164½	152½	Charles Taylor
3	F.P.	7.02	4½	4	†Corp Exec Search
	F.P.	10.2	162½	155½	†Deep Sea Leisure
§80	F.P.	24.9	92½	90½	†Fitness First
100	F.P.	90.5	113½	81½	†Geo Inter Med
§100	F.P.	24.9	99½	99	Hlthcare Reform
§	F.P.	53.5	177	160½	Interoute Telecm
	F.P.	11.0	132½	124½	†Jardinerie Ints
§285	F.P.	139.3	310	282½	John D Sports
72	F.P.	28.5	79½	71½	†Loftus Road
*	F.P.	43.1	131½	128	Lomond Undrwring
§10	F.P.	4.23	12¼	11¼	†Mears Group
75	F.P.	5.46	93½	82½	†Mondas
§154	F.P.	19.8	211½	187½	Oriental Rest
170	F.P.	839.5	177	156	Thistle Hotels
§250	F.P.	191.8	302	282½	Ultra Elctn
§	F.P.	99.5	62	52	†Victory Corp

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Nov 6	% chg on day	Nov 5	Year ago
Gold Mines Index (31)	1846.24	-1.6	1875.63	1795.80
■ Regional indices				
Africa (13)	2428.87	-2.5	2490.06	2331.58
Australasia (6)	2100.85	+0.2	2097.34	2181.92
North America (12)	1648.45	-1.5	1673.58	1592.27

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FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Nov 7	Day's chge%	Nov 6	Nov 5	Nov 4	Year ago
FTSE 100	3900.4	-0.9	3935.7	3921.1	3928.1	3541.6
FTSE 250	4394.3	-0.4	4413.9	4405.2	4418.4	3908.3
FTSE 250 ex IT	4435.2	-0.4	4455.0	4447.4	4460.6	3929.1
FTSE 350	1949.2	-0.8	1964.9	1958.4	1962.4	1762.1
FTSE 350 Higher Yield	1860.8	-0.8	1876.4	1867.3	1868.3	1759.3

■ FTSE Actuaries Industry Sectors

[illegible]

■ Hourly movements

[illegible]

■ FTSE 350 Industry baskets

[illegible]

TRADING VOLUME

■ Major Stocks Yesterday

[illegible]

SPOT THE REFUGEE

There he is. Fourth row, second from the left. The one with the moustache. Obvious really.

Maybe not. The unsavoury-looking character you're looking at is more likely to be your average neighbourhood slob with a grubby vest and a weekend's stubble on his chin.

And the real refugee could just as easily be the clean-cut fellow on his left.

You see, refugees are just like you and me.

Except for one thing.

Everything they once had has been left behind. Home, family, possessions, all gone. They have nothing.

And nothing is all they'll ever have unless we all extend a helping hand.

We know you can't give them back the things that others have taken away.

We're not even asking for money (though every cent certainly helps).

But we are asking that you keep an open mind. And a smile of welcome.

It may not seem much. But to a refugee it can mean everything.

UNHCR is a strictly humanitarian organization funded only by voluntary contributions. Currently it is responsible for more than 19 million refugees around the world.

UNHCR Public Information
P.O. Box 2500
1211 Geneva 2, Switzerland

UNHCR
United Nations High Commissioner for Refugees

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Nov 7 / Sch) [illegible]

BELGIUM/LUXEMBOURG (Nov 7 / Frs.) [illegible]

CZECH REP (Nov 7 / Korunа) [illegible]

DENMARK (Nov 7 / Kr) [illegible]

FINLAND (Nov 7 / Mks) [illegible]

FRANCE (Nov 7 / Frs.) [illegible]

GERMANY (Nov 7 / Dm.) [illegible]

GREECE (Nov 7 / Drachma) [illegible]

ITALY (Nov 7 / Lira) [illegible]

NETHERLANDS (Nov 7 / Fls.) [illegible]

NORWAY (Nov 7 / Kroner) [illegible]

POLAND (Nov 7 / Zloty) [illegible]

PORTUGAL (Nov 7 / Escudo) [illegible]

SPAIN (Nov 7 / Pts.) [illegible]

SWEDEN (Nov 7 / Kronor) [illegible]

SWITZERLAND (Nov 7 / Frs.) [illegible]

TURKEY (Nov 7 / Tk Lira) [illegible]

Rockwell leads the world in integrated data/fax/voice modem products.

Rockwell

PACIFIC

JAPAN (Nov 7 / Yen) [illegible]

HONG KONG (Nov 7 / H.K.$) [illegible]

INDONESIA (Nov 7 / Rupiah) [illegible]

MALAYSIA (Nov 7 / MYR) [illegible]

NEW ZEALAND (Nov 7 / NZ $) [illegible]

SINGAPORE (Nov 7 / S$) [illegible]

AUSTRALIA (Nov 7 / Aust$) [illegible]

SOUTH KOREA (Nov 7 / Won) [illegible]

TAIWAN (Nov 7 / TW $) [illegible]

THAILAND (Nov 7 / Baht) [illegible]

NORTH AMERICA

CANADA

MONTREAL (Nov 7 / Can $) 4 pm close [illegible]

TORONTO (Nov 7 / Can $) 4 pm close [illegible]

Prices supplied by Telekurs

AFRICA

SOUTH AFRICA (Nov 7 / Rand) [illegible]

INDICES

[illegible]

INDEX FUTURES

[illegible]

US INDICES

Dow Jones	Nov 6	Nov 5	Nov 4	1996 High	1996 Low	Since compilation High	Since compilation Low
Industrials	6177.71	6081.18	6041.68	6177.71 (6/11)	5032.94 (10/1)	6177.71 (6/11/96)	41.22 (8/7/32)
Home Bonds	103.38	103.29	103.19	106.69 (14/2)	100.99 (15/7)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	2161.90	2147.78	2154.23	2298.28 (22/5)	1882.71 (18/1)	2298.20 (22/5/96)	13.23 (8/7/32)
Utilities	234.07	231.41	228.48	234.07 (6/11)	204.86 (30/7)	256.48 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 6200.44 (6125.53) Low 6060.69 (6029.01) (Theoretical‡)
Day's high 6178.08 (6096.48†) Low 6074.48 (6042.42) (Actual‡)

Standard and Poors	Nov 6	Nov 5	Nov 4	1996 High	1996 Low	Since compilation High	Since compilation Low
Composite‡	724.59	714.14	706.73	724.59 (6/11)	598.48 (10/1)	724.59 (6/11/96)	4.40 (1/6/32)
Industrials♥	849.74	836.54	828.30	849.74 (6/11)	702.07 (15/1)	849.74 (6/11/96)	3.52 (30/6/32)
Financial	79.72	78.87	77.88	79.72 (6/11)	58.67 (10/1)	79.72 (6/11/96)	7.13 (4/9/74)
NYSE Comp.	383.55	378.43	375.07	383.55 (6/11)	321.41 (10/1)	383.55 (6/11/96)	4.64 (25/4/42)
Amex Mkt Val	577.87	573.82	571.76	614.99 (22/5)	525.80 (16/7)	614.99 (22/5/96)	29.13 (9/12/74)
NASDAQ Cmp	1245.49	1229.07	1220.49	1258.10 (15/10)	988.57 (15/1)	1258.10 (15/10/96)	54.87 (3/10/74)

RATIOS

	Nov 1	Oct 25	Oct 18	Year ago
Dow Jones Ind. Div. Yield	2.16	2.15	2.12	2.41
	Nov 6	Oct 30	Oct 23	Year ago
S & P Ind. Div. yield	1.89	1.95	1.92	2.04
S & P Ind. P/E ratio	23.58	22.80	23.15	18.23

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
AT & T	3,841,700	34⅝	+⅜
Philip Mrrs	3,639,100	97⅝	+3⅝
[illegible]	[illegible]	[illegible]	[illegible]

TRADING ACTIVITY

● Volume (million)

	Nov 6	Nov 5	Nov 4
New York SE	511.582	489.144	394.005
Amex	20.851	18.133	17.392
NASDAQ	[illegible]	[illegible]	446,854
Issues Traded	[illegible]	[illegible]	3,263
Rises	[illegible]	[illegible]	1,337
Falls	[illegible]	[illegible]	1,049
Unchanged	[illegible]	[illegible]	877
New Highs	[illegible]	[illegible]	122
New Lows	[illegible]	[illegible]	42

S&P 500

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	186,811
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7,298

Nikkei 225

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	213,574
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	14,818

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year highs and lows. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $

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TOKYO - MOST ACTIVE STOCKS: Thursday, November 7, 1996

	Stocks Traded	Closing Prices	Change on day
Nippon Steel Cp	5.2m	332	-4
Mitsubishi Hvy	4.7m	898	+3
NKK Corp	4.5m	287	-1
NEC Corp	4.5m	1280	
Toshiba Corp	3.4m	727	-6
Sumitomo Seika	3.4m	840	+26
TYK Corp	3.4m	1150	-110
Hitachi	3.3m	1030	-10
Yuken Kogyo	2.7m	730	-45
Nichiboshin	2.7m	434	-6

NEW YORK STOCK EXCHANGE PRICES

4 pm close November 7

1996 High	1996 Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
31¼	17¾	AAR x	0.48	1.6	27	545	30	28⅞	30	+¼
46⅛	33	AMP x	1.00	2.9	17	7619	34¾	33⅞	34⅝	+¼
97½	68	AMR			17	5517	88⅞	85⅝	88⅛	+2½
50½	37⅞	ASA	1.40	3.6	25	818	39½	38⅝	39¼	+¼
53⅛	39⅛	AbbotL	0.96	1.8	22	8787	u53⅛	52⅛	52⅞	+⅛
17¼	12¼	Abitibi Pr	0.40	2.8	7	645	14¼	14	14¼	+¼
20¼	13½	ABM Ind	0.35	2.1	17	76	16¾	16¼	16¾	+⅜
21¾	13⅞	Acceptcain			45	107	u21¾	21½	21⅝	+⅛
58½	37¾	ACE Ltd	0.56	1.0	14	971	58¼	57⅞	58¼	+¼
10⅜	9⅛	ACM Gvt In x	0.90	8.7	9	386	u10⅜	10¼	10⅜	+⅛
7⅞	6⅝	ACM GvOpp x	0.57	7.9		86	7¼	7⅛	7¼	
9¾	8⅞	ACM Man x	0.90	9.4		217	9⅝	9½	9⅝	+⅛
13⅞	6⅛	Acme Elect	0.32	4.4	55	50	7⅜	7¼	7¼	
18⅞	13⅞	Acme Mills			13	126	18⅝	18⅜	18⅝	+⅛
33¾	27¾	Acordia	0.72	2.5	14	19	29⅛	28¾	29⅛	-⅜
23⅛	12	Acuson			109	1643	23	22½	23	
20½	17⅞	Adams Expr	0.48	2.4	1	246	u20½	20¼	20⅜	
21¼	10¼	AdvMic			21	14075	20⅝	19⅝	20⅜	+⅝
11⅛	8½	Advest Grp	0.16	1.7	6	73	9⅜	9¼	9⅜	+⅛
26⅛	9⅛	Advo Inc	0.10	0.7	108	1294	14⅛	13⅝	14⅛	+⅛
53½	41⅛	Aegon	1.45	2.7	16	87	u53½	53⅛	53½	+⅛
6¾	3½	Aeroflex			3	111	4⅝	4½	4⅝	+⅛
70⅞	57⅞	Aetna	0.80	1.2	9	7258	68⅞	66⅝	68	+1⅜
43⅛	28¼	Aflac	0.40	0.9	18	2431	u43⅛	42½	42⅞	+⅜
21¾	17⅛	AGL Res	1.08	5.0	18	286	21⅝	21¼	21⅝	-¼
32⅛	21¼	Ahmanson x	0.88	2.8	53	2618	31¼	30⅞	31⅛	-⅛

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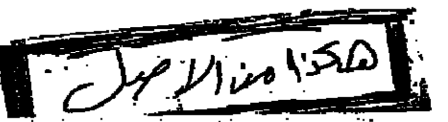

NYSE PRICES

4 pm close November 7

Continued from previous page

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NASDAQ NATIONAL MARKET

4 pm close November 7

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AMEX PRICES

4 pm close November 7

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Dow ahead despite slide for bonds

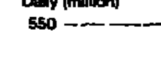
AMERICAS

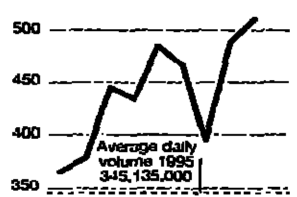
US share prices took a breather yesterday morning after their post-election surge of the day before, leaving the most widely followed indices in record territory in spite of a slump in US bond markets, *writes Richard Waters in New York.*

Meanwhile, technology stocks continued a rally that had begun on Wednesday, helped by optimistic comments from the chip maker

NYSE volume

Daily (million)





Intel about the prospects for strong consumer sales during the holiday season. By 1 pm in New York the Nasdaq composite, which is skewed heavily towards the technology sector, was 6.06 higher at 1,251.55.

The Dow Jones Industrial Average was up 2.24 at 6,179.95 and the broader Standard & Poor's 500 index was 0.10 lower at 724.49.

Intel's remarks, issued late on Wednesday, contributed to a rise in its stock of $3⅝, or nearly 3 per cent, to $122¼ yesterday morning.

Among other technology companies to climb strongly were Cisco Systems, which advanced $1¼, or 2 per cent, to $62¼, and Gateway 2000, which rose $2⅞, or 5.4 per cent, to $51⅞. Hewlett-Packard advanced $2⅞ to $48¼ on a positive recommendation from an analyst.

Among stocks in the Dow, Boeing gained $1¾, or 2 per cent, to $93¾. The rebound more than wiped out its fall of the day before, when it had emerged that the aircraft maker had lost a big order to its European rival, Airbus.

Sears Roebuck, one of many retailers to issue monthly sales figures yesterday, was up $¾ at $46¼. However, shares in two other retailers tumbled after sales figures were released. The Limited was off $2¼, or 11 per cent, to $17⅝ while Intimate Brands, which made its stock market debut earlier this year, fell $3⅝, or 19 per cent, to $16¼.

Elsewhere, the release of quarterly financial results contributed to a number of big share price movements. United Healthcare, the country's second-biggest managed healthcare group, jumped $4, or 10 per cent, to $44 on good third-quarter earnings.

Rockwell, which had reported results on Wednesday, gained $2⅝, or 4.8 per cent, to $59⅞. Cablevision, whose results had come out after the market closed, tumbled $3⅝, or 12 per cent, to $28⅝.

TORONTO spent most of the morning casting about fruitlessly for leads. There were sharp falls at the opening bell in the wake of the initial sell-off on Wall Street, but conditions eventually steadied and at noon the 300 composite index was off 4.26 at 5,745.66.

Gold shares and the banks were the top and bottom performers of the morning session with the golds sector gaining 1 per cent and bank shares retreating by a similar percentage. Royal Bank of Canada shed 75 cents to C$48.05.

Alcan gained 45 cents to C$44.55. Seagram dipped 20 cents to C$50.50 and Northern Telecom gave up 25 cents to C$24.20. Canadian Pacific also retreated, losing 20 cents to C$35.40.

Mexico City marks time

MEXICO CITY moved gently lower through the morning. Activity was thin and all eyes were on Wall Street and the currency markets.

"It has been a morning of mostly marking time. Investors are tracking the peso," said one broker.

At midsession, the IPC index was 8.62 lower at 3,251.76.

BUENOS AIRES also traded sideways with the Merval index showing little change at midsession. It stood at 580.08, up 0.35. Local analysts were said to have pinpointed 560 as the market's near-term support level.

CARACAS continued to focus on the forthcoming flotation for the state telecoms group, CANTV. Activity through the morning remained at nominal levels. The IPC index was off 17.51 at midsession, dipping to 5,818.74.

S Africa continues to slip

Currency worries and talk of an increase in interest rates pushed shares in Johannesburg lower for the fourth day running.

The overall index closed off 81.8 at 6,792.1 and industrials retreated 86.0 to 8,005.5. Bullion price doubts continued to weigh heavily on golds which dipped 18.8 to 1,683.2.

Conflicting signals from the central bank and the government on the method of dismantling exchange controls were at the root of the latest malaise. Sentiment was also depressed by rate rise speculation and flat company results.

Among golds, Western Deep came off R1.50 to R147.50 and Kloof lost 75 cents to R40.50. Anglo American led the way down among industrials, retreating R3.75 to R277.50. South African Breweries shed 75 cents to R119.50.

Bourses take profits but Fiat climbs again

EUROPE

Senior bourses were apprehensive, worried about the falling dollar and taking the Dow's 1.6 per cent overnight gain as a signal for profit-taking. Even MILAN showed signs of consolidation after a two-day gain of some 3 per cent on aggressive buying of Fiat and telecoms stocks.

The Mibtel index ended at 10,062, up 27. Fiat continued to climb, but there were plenty of voices around yesterday urging caution. The stock, up from L3,920 over the past two weeks, added L99 more at L4,505.

Hopes centred on a third-quarter recovery in Brazil, which supplied more than a third of earnings last year, and talk of Italian government plans for incentives to underpin domestic car demand.

In addition, there were strong rumours of corporate restructuring within the group. Gossip suggested that Sorin Biomedica was to be merged with Snia, another Fiat company.

Sorin rose L78 to L5,473.

FRANKFURT hit a low of 2,703.96 before the Dax index, encouraged by the Dow's resilience after early losses, recovered to close 11.03 lower at an Ibis-indicated 2,724.25.

Fiat

Share price and index (rebased)

Mibtel

Fiat

Jul 1996 Nov

Source: Datastream

Turnover rose from DM11.7bn to DM12.7bn, inflated by Wednesday's after-hours selling of Siemens which alone traded in DM3.1bn against DM1.7bn previously. Siemens shares recovered 1.2 per cent after Wednesday's 9 per cent slide.

Among other active blue chips, Hoechst was virtually flat after a 4.3 per cent gain on the latest restructuring talk and SAP prefs were off by nearly a percentage point after a 10 per cent gain earlier in the week.

However, there was movement in second-liners, where another premium stock was published for not coming up to expectations. GEA, the high-tech engineer, shed DM51, or 9.6 per cent, to DM481 in official trade.

Mr Stefan Mülheim of Dillon Read in London said that a consensus earnings forecast of DM34 a share for GEA in 1996 had not taken restructuring costs, after a series of acquisitions, into account. Dillon Read was going for DM31 this year, DM35.70 in 1997 and still thought the stock was a buy.

Meanwhile, Puma, the sportswear group, climbed DM5.80, or 13 per cent, to DM50.30. Puma climbed after a US film and television producer took a 12.5 per cent stake in the company: "Puma goes to Hollywood", said Mr Mülheim.

PARIS traded narrowly in CAC 40 index stocks, but there was no lack of action among second-liners.

Aerospace shares sparked into life following news of the big Airbus order from the US and Bertrand Faure, the car parts group, swung into overdrive on strong sales news.

October sales gains of 25 per cent lifted Faure by FFr10.50 to FFr188. Labinal and Intertechnique, both of which supply Airbus parts, put on FFr32 to FFr672 and FFr26 to FFr816 respectively.

Groupe Salomon, the sports business in London for a roadshow, had another busy session with the shares continuing to unwind some of the big gains built up this year. Salomon fell FFr8.50 to FFr435.50 for a two-day decline of almost 6 per cent as rumours of problems at a leading distributor sapped sentiment.

Among blue chips, Bouygues added FFr1 to FFr506 after the successful flotation of its Bouygues Offshore unit. Elf Aquitaine dipped 90 centimes to FFr435 in spite of confirmation of a big UK refining and marketing link-up.

At the close, the CAC 40, which traded within a range of just 18 points, was off 1.56 at 2,211.81.

AMSTERDAM provided a clear bounce for Philips and its music offshoot PolyGram, but the upturns here were not enough to offset a day of steady selling elsewhere.

Philips, a dull market after a profits warning and news of radical restructuring, gained 80 cents to Fl 60.80 while PolyGram turned in the day's best blue-chip performance closing Fl 2.10 up at Fl 79.20.

FTSE Actuaries Share Indices

Nov 7					THE EUROPEAN SERIES			
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack 100	1774.11	1774.80	1773.52	1773.93	1775.44	1773.73	1776.38	1776.72
FTSE Eurotrack 200	1822.68	1822.93	1821.98	1822.39	1821.13	1820.30	1822.79	1824.37

	Nov 6	Nov 5	Nov 4	Nov 1	Oct 31
FTSE Eurotrack 100	1775.56	1758.99	1747.59	1748.34	1747.44
FTSE Eurotrack 200	1828.36	1815.49	1808.44	1810.81	1806.78

Base value 1000 (26/10/90). High/day: 100 - 1777.03; 200 - 1825.10 Low/day: 100 - 1773.12 200 - 1819.33 † Partial.
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Unilever remained unsettled ahead of today's third-quarter results, shedding 10 cents to Fl 258.60. An earnings downgrade by ING Barings pushed KLM down 20 cents to Fl 41.50.

After a day mostly on the downside, the AEX index stood at 588.60, off 0.83.

Nordic markets saw Scania, the bus and truck-maker, punished in **STOCKHOLM** with a fall of SKr9, or 5.1 per cent, to SKr167 after a 39 per cent drop in nine-month profits. The Affärsvärlden General index closed 11.0 lower at 2,170.3.

HELSINKI, where the Hex index eased 2.76 to 2,224.47, knocked 5 per cent off Kesko, the wholesaler and retailer, which shed FM3.50 at FM66.50 following news of EU dissatisfaction with aspects of Kesko's merger plan with Tuko.

Meanwhile, the forestry sector was down by a percentage point after pessimistic comments from analysts, but UPM-Kymmene managed to close 50 penni higher at FM88.30 after an initial fall to FM85.50.

TEL AVIV, unlike most of its neighbours in Europe, decided to reflect Wednesday's trend in New York after gains in Israeli stocks quoted in the US. The Mishtanim index rose 2.96, or 1.6 per cent, to 192.53 with Teva Pharmaceutical, its most active stock, up 4.5 per cent to Shk144.391 and Tadiran 3 per cent better at Shk1.465.

ISTANBUL broke out of its recent range-trading spell, which followed a 29 per cent gain in the market between September 13 and October 23. The composite index rose 2,041.29, or 2.5 per cent, to 83,505.37, fractionally below its October 23 all-time high of 83,772.33.

ATHENS continued to slide lower on the back of broker-default worries. The main index was off 2.26 per cent at one stage before closing down 1.5 per cent. It ended 14.15 lower at 918.13 in trade of Dr5.4bn, up from Dr4.9bn on Wednesday.

Brokers said investors were frightened by the trading ban on Delta Securities which had been unable to comply with settlement regulations.

Written and edited by William Cochrane, Michael Morgan and Jeffrey Brown

Steep fall in dollar pushes Nikkei into reverse

ASIA PACIFIC

A steep fall in the dollar set off a flurry of selling, particularly among securities houses and foreign investors, and **TOKYO** dropped a percentage point after Wednesday's 1.9 per cent gain, *writes Gwen Robinson.*

The Nikkei 225 average fell 220.41 to 20,771.11 after moving between 20,756.84 and 21,142.24. Early gains, encouraged by Wall Street's strong performance overnight, were wiped out from mid-morning by the dollar's surprise slide. This eclipsed widespread relief among investors at the outcome of the US election and the Republicans' renewed grip on Congress.

Volume came to an estimated 304m shares from Thursday's 317m. The broader Topix index of all first-section stocks fell back 11.18 to 1,561.99, after soaring by 19.37 the previous day. The capital-weighted Nikkei 300 slid 2.02 to 293.03. Declines led advances by 790 to 272 with 184 unchanged.

In London, the ISE/Nikkei 50 index rose 1.15 to 1,425.94.

Concerns about the dollar outweighed interest in parliament's formal re-election of the Japanese prime minister Mr Ryutaro Hashimoto. One of Japan's most influential financial policy-makers Mr Eisuke Sakakibara was quoted as saying that the dollar's recovery against the yen had run its course.

On the trading floor, electrical and high-technology stocks were hit hard by the dollar's decline. Hitachi lost Y10 to Y1,030, Toshiba was down Y6 at Y727 and Fujitsu Y10 at Y1,010. Sony, in spite of reporting a substantial increase in first-half earnings, dropped Y10 to Y6,850. The financial sector mostly ended lower, with Nomura Securities slipping Y40 to Y1,860, Daiwa Y20 to Y1,220 and Tokyo Mitsubishi Bank Y10 to Y2,310.

Pakistan

Karachi SE 100 Index

Oct 1996 Nov

Source: Datastream

However, leading car makers defied the effects of the dollar's decline. Toyota gained Y10 to Y2,790 and Honda rose Y30 to Y2,800. Pharmaceuticals also fared well, thanks partly to a surge in chemical issues in New York. Sankyo climbed Y20 to Y2,890 and Fujisawa Pharmaceutical added Y10 to Y1,040.

Large-capital steels lost ground on foreign selling pressure, with Nippon Steel falling Y4 to Y332 and Sumitomo Metal Industries Y4 to Y312.

In Osaka, the OSE average fell 58.46 to 21,487.83 in volume of 27.5m shares.

MANILA extended its winning streak to seven sessions, surging more than 2 per cent in the face of what dealers described as very aggressive demand.

The strong overnight gains on Wall Street, which hoisted US-listed Philippine Long Distance Telephone, sparked the wave of buying. The main index closed up 64.63 at 3,063.06.

PLDT rose 25 pesos to 1,595 and Ayala Land B put on 2.50 pesos at 27.50.

BANGKOK closed higher, although profit-taking left it substantially short of the day's highs. Banks and telecommunications saw the heaviest afternoon selling. At the close, the SET index finished up 9.21 at 952.48 on active Bt8bn turnover.

KARACHI stocks plunged 4.5 per cent after reports of a downgrade for Pakistani debt swept the market.

Up strongly on Wednesday following the dismissal of the prime minister, Mrs Benazir Bhutto, and her government, the KSE-100 index fell 70.89 to 1,509.35.

Moody's Investors Services, overnight in New York, announced that it had lowered its rating of Pakistan's sovereign ceiling for foreign currency debt to B2 from B1.

Losers led gainers by five to one. Hub Power fell PRs2.60 to PRs34.65.

SYDNEY closed lower across most sectors amid late-afternoon profit-taking. The All-Ordinaries index closed down 13.9 at 2,346.7 after an active session lifted turnover to A$1.1bn.

Comalco led falls on an index-weighted basis dropping 30 cents to A$6.50. BHP came off 21 cents to A$16.50. National Australia Bank dipped 10 cents to A$13.75.

WELLINGTON closed higher with heavy activity in Telecom NZ provoking an official query. The 40 capital index closed 13.68 ahead at 2,338.89.

Turnover was NZ$133.37m, boosted mostly by two off-exchange deals in Tranz Rail. Telecom NZ contributed NZ$14.25m, closing 16 cents higher at NZ$7.62.

In response to a Stock Exchange inquiry, Telecom said that its shares were primarily responding to buoyant conditions in US markets. It said a share buy-back, currently the subject of market rumours, was due for discussion next week.

JAKARTA featured a jump of Rp600, or more than 8 per cent, to Rp7,600 in the blue chip cement company Semen Gresik as the JKSE composite index delivered its fifth consecutive gain, 7.25 higher at 594.59.

COLOMBO's small investors were upbeat after Wednesday's budget and the CSE all-share index rose 2.78 to 620.67. Mercantile Leasing rose SRs3 to SRs25 on budget incentives for leasing companies.

HONG KONG zigzagged to a lower close, partly on fears of profit-taking on Wall Street. The Hang Seng index fell 40.21 to 12,735.26 after a new intraday high of 12,898.30 in early morning trading. Turnover was strong at HK$10.86bn, up from HK$10.29bn.

SEOUL similarly took profits in the afternoon following early gains and the composite index ended 5.53 lower at 741.76. Fears of stock oversupply dampened sentiment, especially after the listing of LG Semicon's 10m new shares on Saturday.

SHANGHAI B's hit another all-time low, the index losing 0.165 at 46.478 as more foreign investors liquidated their positions.

FT/S&P ACTUARIES WORLD INDICES

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NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY NOVEMBER 6 1996 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY NOVEMBER 5 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (78)	213.90	0.5	193.16	153.88	168.63	179.52	-0.2	4.24	212.85	191.74	153.45	167.85	179.82	216.14	179.98	184.23
Austria (24)	181.71	0.0	164.09	130.72	143.25	143.16	-0.1	1.97	181.79	163.76	131.05	143.35	143.27	195.04	168.38	171.10
Belgium (27)	222.05	0.6	200.52	159.74	175.05	171.00	0.5	3.90	220.75	198.85	159.14	174.07	170.23	222.05	193.77	194.86
Brazil (28)	184.81	0.1	166.89	132.95	145.70	349.60	0.1	1.75	184.65	166.33	133.12	145.60	349.26	189.70	123.97	135.57
Canada (116)	189.21	1.9	170.87	136.12	149.17	182.35	1.7	1.98	185.65	167.24	133.84	146.40	179.34	189.21	143.76	145.67
Denmark (30)	332.72	0.6	300.46	239.35	262.30	263.66	0.6	1.74	330.88	298.06	238.54	260.92	262.23	336.30	276.89	281.25
Finland (24)	218.45	0.6	197.27	157.14	172.21	209.03	0.6	2.40	217.08	195.54	156.49	171.18	207.70	229.99	171.73	229.99
France (93)	207.67	1.0	187.53	149.39	163.72	166.85	1.0	2.91	205.53	185.15	148.17	162.07	165.25	207.67	167.70	175.63
Germany (58)	183.62	1.3	165.81	132.09	144.76	144.76	1.2	1.71	181.32	163.33	130.72	142.98	142.98	183.62	158.00	158.30
Hong Kong (59)	475.93	1.9	429.79	342.37	375.21	472.49	1.9	3.24	466.82	420.52	336.54	368.12	463.44	475.93	354.67	373.51
Indonesia (27)	212.17	0.6	191.60	152.63	167.27	303.40	0.6	1.66	210.99	190.06	152.11	166.38	301.60	–	–	–
Ireland (16)	317.80	0.2	286.99	228.61	250.54	272.44	0.3	3.30	317.26	285.79	228.72	250.18	271.66	317.98	246.85	246.85
Italy (58)	79.20	1.6	71.52	56.98	62.44	89.97	1.5	2.31	77.97	70.24	56.21	61.49	88.61	84.53	67.22	71.11
Japan (480)	139.75	1.5	126.20	100.53	110.17	100.53	1.3	0.76	137.69	124.04	99.27	108.58	99.27	164.68	137.62	141.08
Malaysia (107)	578.94	0.2	522.80	416.47	456.41	562.62	0.2	1.17	577.71	520.41	416.49	455.56	561.67	587.74	425.77	448.59
Mexico (27)	1180.41	-0.5	1065.96	849.16	930.58	10239.64	0.1	1.28	1185.91	1068.29	854.95	935.17	10224.47	1325.65	791.99	896.25
Netherland (19)	308.77	0.3	278.83	222.12	243.42	239.62	0.3	3.06	307.81	277.28	221.91	242.73	239.00	314.85	252.71	253.94
New Zealand (15)	92.14	1.0	83.20	66.28	72.64	68.67	0.7	4.00	91.25	82.20	65.78	71.95	68.17	94.35	75.94	81.52
Norway (35)	269.13	-0.1	243.04	193.61	212.17	233.14	0.0	2.18	269.38	242.66	194.20	212.43	233.05	269.38	222.24	225.21
Philippines (22)	189.37	0.1	171.01	136.23	149.29	247.73	0.1	0.64	189.15	170.39	136.37	149.16	247.49	–	–	–
Singapore (43)	383.75	0.8	346.54	276.06	302.53	349.08	0.8	1.08	380.69	342.93	274.45	300.20	247.03	465.21	361.94	373.08
South Africa (44)	328.23	-1.0	296.41	236.12	258.76	337.90	-0.8	2.27	331.43	298.56	238.93	261.35	340.72	437.76	314.20	366.53
Spain (37)	191.59	1.3	173.02	137.83	151.04	185.18	1.3	3.23	189.09	170.34	136.32	149.11	182.87	191.59	147.46	147.46
Sweden (48)	396.19	0.6	357.77	285.01	312.34	387.79	0.5	2.20	393.73	354.68	283.85	310.48	385.88	400.14	294.19	305.88
Switzerland (37)	244.14	0.7	220.46	175.63	192.47	193.22	0.7	1.53	242.54	218.49	174.86	191.26	191.83	254.34	219.29	224.57
Thailand (45)	118.59	4.0	107.09	85.31	93.49	117.37	4.0	2.92	114.02	102.71	82.20	89.91	112.86	193.96	112.17	156.57
United Kingdom (213)	260.47	0.1	235.21	187.38	205.34	235.21	0.3	4.02	260.21	234.41	187.59	205.20	234.41	261.17	222.29	224.05
USA (624)	294.88	1.5	266.29	212.13	232.47	294.88	1.5	2.03	290.60	261.77	209.50	229.15	290.60	294.88	240.11	240.90
Americas (795)	270.05	1.5	243.86	194.27	212.89	226.90	1.5	2.01	266.15	239.75	191.86	209.88	223.64	270.05	218.79	219.61
Europe (719)	226.10	0.6	204.18	162.65	178.25	193.38	0.7	2.98	224.75	202.46	162.03	177.23	192.07	226.10	193.02	193.86
Nordic (137)	337.50	0.5	304.77	242.79	266.07	289.58	0.5	2.15	335.68	302.39	242.00	264.71	288.56	339.67	261.13	278.66
Pacific Basin (876)	156.20	1.4	141.05	112.37	123.14	113.40	1.2	1.24	154.04	138.76	111.05	121.47	112.07	177.01	150.59	151.73
Euro-Pacific (1595)	185.21	1.0	167.25	133.23	146.01	143.54	0.9	2.13	183.39	165.20	132.21	144.62	142.23	190.57	168.34	169.20
North America (740)	288.62	1.5	260.63	207.62	227.53	287.50	1.5	2.02	284.37	256.16	205.01	224.24	283.30	288.62	234.19	235.01
Europe Ex. UK (506)	202.68	0.9	183.03	145.80	159.79	168.15	0.9	2.36	200.86	180.96	144.82	158.41	166.72	202.68	173.04	173.45
Pacific Ex. Japan (396)	300.64	1.1	271.49	216.27	237.01	259.47	0.9	2.66	297.41	267.91	214.41	234.52	257.15	300.64	243.59	252.34
World Ex. US (1810)	187.41	1.0	169.24	134.82	147.75	148.85	0.8	2.11	185.60	167.19	133.80	146.36	147.50	191.55	169.39	170.25
World Ex. UK (2221)	217.38	1.3	196.30	156.37	171.37	186.28	1.2	1.87	214.55	193.27	154.68	169.19	183.99	217.38	186.59	188.63
World Ex. Japan (1954)	264.13	1.1	238.52	190.01	208.23	248.33	1.1	2.39	261.20	235.29	188.30	205.97	245.55	264.13	219.86	220.20
The World Index (2434)	221.09	1.2	199.65	159.05	174.30	190.81	1.2	2.07	218.48	196.81	157.51	172.28	188.62	221.09	191.70	191.81

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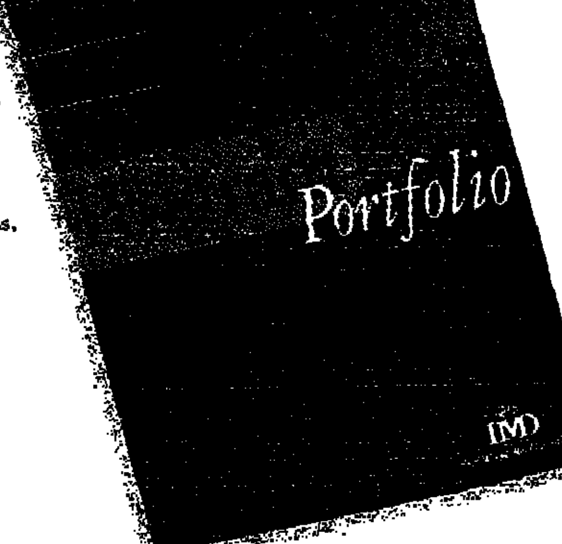

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RECRUITMENT

Richard Donkin finds food for thought in how few directors own shares in their companies

A look at the long view

An analysis of the remuneration packages for directors of the UK's largest companies from Bacon & Woodrow, the pay and benefits consultancy, provides food for thought.

Some executives are now getting almost as much in bonuses and benefits as their basic salary. For the 704 individuals in 103 companies, mostly with turnovers of more than £125m ($204m), bonus and benefits averaged 73 per cent of base salary.

The chief executives of these big companies get much more than their fellow main board directors – 73 per cent more on average. Nearly four-fifths of the directors received bonuses, which averaged £33,500 in the 12 months to July 1.

But one statistic seems to stand out even more: a third of chief executives in parent companies did not own shares in their companies. It is even smaller for all directors: two-fifths had shareholdings. How does this square with the idea of a shareholder commitment among the top team?

The spirit of Sir Richard Greenbury's comments on share option schemes in his report on boardroom pay was to encourage the ownership of shares by directors. The theory is that they will be more interested in the long-term performance of the business if they do not have an eye on the opportunities for short-term gains.

But the report shows that many directors have little interest in building up holdings in their companies. The holdings need not be modest. The average value of share options for chief executives, says the report, is £672,696. For main board directors it is £318,046. But it seems that some are being slow to accept the idea of share options as an opportunity to take a stake instead of a profit. The table shows comparisons of pay and benefits packages among three representative types of executive.

Directors TRP Survey 1996. Bacon & Woodrow, St Olave's House, London Bridge City, London SE1 2PE. UK £600.

Flexible friends

Flexibility of employment is widely thought to be a good thing. If a job can be shared between two people, it provides each with an income and replaces one unemployed worker with two taxpayers.

It creates greater efficiency and competitiveness by doing away with overtime pay and allowing the easier management of peaks and troughs.

Such arguments have been driving increasing use of flexible working practices across Europe. But they are challenged by Cranfield University School of Management which finds no convincing evidence that flexibility leads to more jobs.

Its report also points out that many supposed advantages supposed to flow from job creation are lost if the new jobs are low-paid, involve government subsidies, and lead to limited spending power and insecurity for the worker. This provides ammunition for opponents of flexibility who argue that a flexible labour force may not generate the same tax yield as growth in full-time permanent jobs.

Another drawback identified by the research is that flexible employees are less likely to receive adequate training than those on standard contracts. "This clearly has implications, not only for employee motivation, competence and 'employability' but also for overall skill levels across the EU," says the report.

And surprisingly, legislation seems to have little impact on increasing flexibility, the report says. Levels and rates of flexibility were similar in the deregulated UK labour market and other European countries which are more tightly regulated.

"It suggests that employee protection is not a deterrent or obstacle to flexibility and that tension between employer-driven demand for flexibility and the costs to the individual employee and wider society may be resolved," it says.

The report, based on studies of changing human resources practices in some 5,000 organisations in 14 European countries, each employing more than 200 people, demonstrates that employment issues are far more complex than many employers and politicians are willing to accept. Its final recommendation is that employers planning to introduce flexible working practices should carry out cost-benefit analysis of the appropriate forms.

Working Time and contract flexibility in the EU. Centre for European HR Mangement, Cranfield University School of Management. Cranfield, Bedford, UK. Executive summary free.

Eastern promise

A report by Korn/Ferry International this week explains some of the underlying reasons for the growth in headhunting in eastern and central Europe.

There is large demand for western senior and middle managers to help develop a free-enterprise culture. More than a quarter of managers in the 157 companies in the former Soviet Union canvassed for the report were expatriates.

The proportion was even larger among chief executives, some 65 per cent of whom were expatriates. In the Russian-based companies questioned, some 81 per cent of senior executives were expatriates. The dependence upon outside skills is reflected in salaries ranging from $150,000 (£91,463) to $400,000 plus bonuses for a country manager. The real cost to the company, when relocation, housing and other expenses are taken into account, is more like 2¼ times base salary.

Local talent is also in demand but in short supply. Salaries for local managers have doubled in two years as companies compete for recruits, but even then there are high turnovers.

But expatriates are often a poor substitute: they may have poor language skills; and they find it difficult to adapt to different cultures.

Ultimately companies will realise that they must invest in management training because outside recruits are simply not available. Richard Goode, Korn/Ferry managing partner of emerging markets, says one of the biggest problems for headhunters is managing the expectations of clients.

The tide, however, is already beginning to turn. Korn Ferry says two-thirds of its placements in Russia are now Russians and a third are expatriates.

Human Resource Trends in Central and Eastern Europe. Korn/Ferry International, 252 Regent Street, London W1R 5DA, UK. Free.

Fat cats' packages

	Chief executive		Director		Senior executive	
	£	% of base	£	% of base	£	% of base
Basic Salary	204,000	100	118,000	100	93,000	100
Benefits	81,300	40	45,000	38	35,700	38
of which: Pension	52,500	26	25,200	21	18,700	20
Car & fuel	16,300	8	13,500	11	11,600	12
Insurances	8,900	4	4,300	4	3,700	4
Other	3,600	2	2,000	2	1,700	2
National insurance	24,700	12	14,000	12	11,300	12
Fixed remuneration	310,000	152	177,000	150	140,000	151
Bonus Payments	50,000	25	33,000	28	20,000	22
Total remuneration	360,000	176	210,000	178	160,000	172

Source: Bacon & Woodrow

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- Excellent communications skills, spoken and written fluency in German and English is essential
- A thorough knowledge of German corporates is desirable

Interested candidates should apply by submitting their Curriculum Vitae to John Axworthy or Jonathan Gill at Axworthy Oliver Associates, St Martins House, Priory Court, Pilgrim Street, London EC4V 6DR or alternatively call them on +44 171 329 3434, Fax: +44 171 782 0200.

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Linda Tottem
Senior Personnel Officer
UBS Asset Management London Limited
Triton Court, 14 Finsbury Square
London EC2A 1PD

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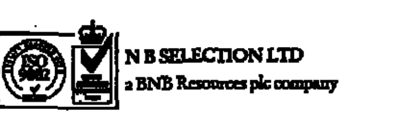
- Energetic, resilient character able to lead and motivate. Team oriented, supportive, positive approach.

Please send full cv, stating salary, ref FS61101, to NBS, 10 Arthur Street, London EC4R 9AY



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- ☐ manage a network of speakers who work on our seminars and conferences;
- ☐ develop an in-depth knowledge of the management development market and translate that knowledge into leading edge programmes;
- ☐ participate in the development of MCE's strategic direction and execute the strategy as it applies to the programme director role within MCE;
- ☐ be an active member of the team that will contribute to the overall growth and financial performance of MCE through the ongoing development of the business.

Your personal profile:

- ☐ at least 5 years management development and training experience in a multinational corporation in Europe;
- ☐ you must have an understanding of the latest trends in HR management as well as a grasp of the latest HR issues and trends facing the European HR professionals and their companies;
- ☐ you must be an excellent communicator, able to interact effectively with top executives from all over Europe;
- ☐ you must be a skilled facilitator and negotiator;
- ☐ you must hold a business degree with honours, speak excellent English and at least one other major European language and you are aged 30 upwards;
- ☐ your managerial experience will enable you to lead and develop a small team of experienced and committed support staff;
- ☐ you are able to work simultaneously on several projects and you enjoy positive stress.

If you wish to develop as part of a dedicated and professional team working in an international environment, based in Brussels, please send your application in English, together with your curriculum vitae, a description of your future objectives and why this job is of specific interest to you, to Ms Jacqueline Merckx, Director Human Resources, Management Centre Europe, rue de l'Aqueduc 118, B-1050 Brussels, Belgium.

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Languages: Very good knowledge of either French or English and good working knowledge of the other is essential. Knowledge of other Community languages would be an advantage.

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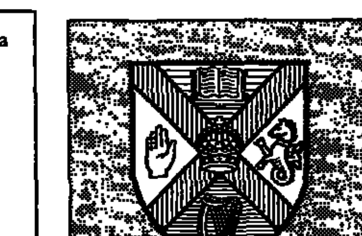
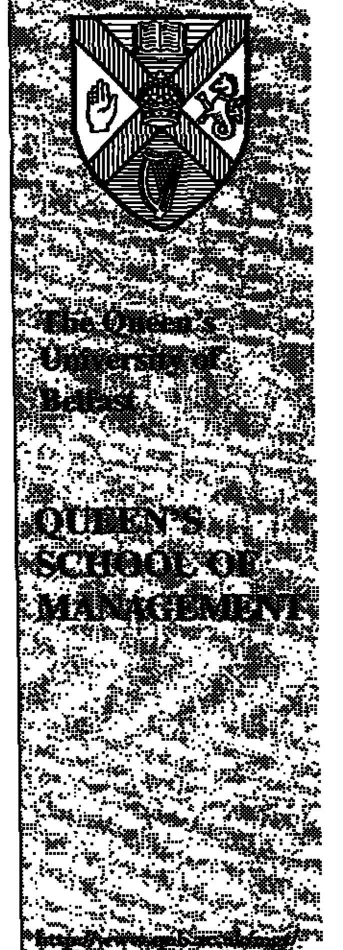
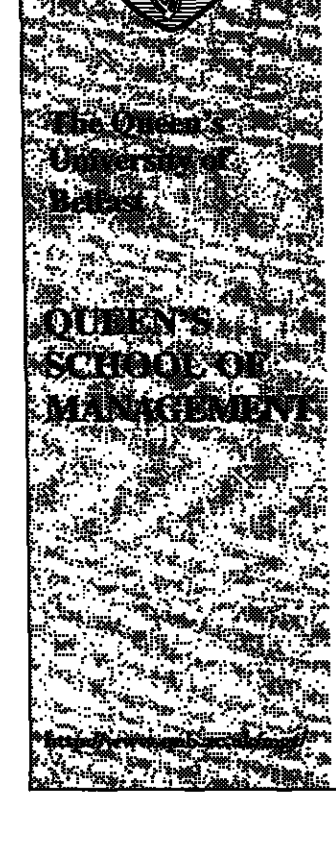
Applicants, who must be nationals of a Member Country of the European Union, are invited to send their curriculum vitae, in English or in French, together with a photograph, quoting the appropriate reference, to:
EUROPEAN INVESTMENT BANK,
Recruitment Division (ref.: IT9620),
L-2950 LUXEMBOURG. fax: +352 4379 2545.

Applications will be treated in the strictest confidence and will not be returned.







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Enquiries may be directed to Mrs C A Davies, School of Management, telephone (+44 1232) 335011, fax (+44 1232) 248372, e.mail: a davies@qub.ac.uk.

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The position will have a significant impact on the success of ICONET. Key tasks will include the implementation of a technical operations plan and associated processes/procedures. Significant management accountabilities include the building of an expert team who will work directly with the earth station operators to provide and maintain a technical infrastructure delivering quality service to ICO customers. Extensive international travel to the global earth station locations will be required.

To succeed in this critical function you must be able to demonstrate planning and team building capabilities within a senior management function acquired from a directly comparable telecommunications project. Highly developed interpersonal and customer skills are essential and technical skills will include a strong background in telecommunications Network Management and field operations. Satellite/earth station/cellular operational knowledge will be considered highly advantageous. Ref: IFT/NET001

Senior Systems Engineer

The main purpose of this role will be to support the Director and Principal Scientist in the approach to and organisation of a range of major systems issues to support the ICO Design Authority function. You must be an experienced communications and systems engineer familiar with satellite radio communications issues, systems design and ideally cellular network infrastructure. Familiarity with overall system issues such as performance requirements and measures as well as product and services in the mobile networks would be advantageous. Ref: IFT/RC002

Communications Engineer

Working as part of the Laboratory and Simulation Group your role will be to provide engineering expertise to support physical modelling of the ICO air interface solution.

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To apply, please send your CV, quoting the appropriate reference, including a covering letter detailing how you match the job profile and your salary details to:

**The Recruitment Manager,
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Hammersmith, London W6 9BN.
Fax: 0181 563 7872.
Email: recruit@ico.co.uk**

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INTERNATIONAL CONSULTANTS/TRAINERS

We have long and short term assignments for experienced Banking, Corporate and Private Sector Development Consultants/Trainers in International Markets.

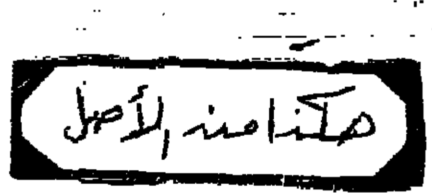
Fax or post typed C.V to Resources Manager, FACT International Ltd., 14 Upper Pembroke Street, Dublin 2 Ireland. Fax: 353 1 662 1286

APPOINTMENTS WANTED

FIXED INCOME TRADER

with 10 years experience including 3 in the Far East seeks opportunities in Tokyo or Hong Kong. Sound knowledge of cash and futures markets.

Write to Box A5741, Financial Times, One Southwark Bridge, London SE1 9HL



ASSET ACQUISITION & PORTFOLIO MANAGEMENT

Opportunity to manage a substantial loan and bond portfolio for a highly successful international bank

This key, pivotal role is a senior management position in our client's consistently profitable London Branch and arises from a policy of continuously developing and improving the scope of the bank's global business.

The primary objective of the role is to enhance the returns from the loan and bond portfolio, retaining a balanced, high quality book. You will be required to originate, acquire and profitably trade loan and bond assets.

As the Senior Manager in the Capital Markets Team, you will help direct and promote marketing activities to achieve asset growth, exploring new or emerging markets and making profitable use of structured debt and derivative instruments.

A numerate graduate, you must have a thorough knowledge of the corporate finance and bond markets and derivative instruments, together with the appropriate risk measurement, modelling and PC skills. Most importantly, you must demonstrate astute commercial judgement, resourcefulness and achievement and show the personality and presentational ability appropriate to this appointment.

The importance of this assignment will be reflected by the competitive package of salary, bonus and fringe benefits.

Please contact Tony Tucker in strict confidence.

Fax 0171-626 9400

Cleary Court, 21-23 St. Swithin's Lane
London EC4N 8AD
Financial Recruitment Consultants

Telephone 0171-626 1161

SHEPHERD LITTLE

Opportunities with Deutsche Bank

You have a degree in economics and have already gained professional experience in macroeconomic analysis and financial market-related topics.

In your career you have proven your analytical talent and gained experience in the use of electronic data systems. You have a strong oral and written command of both German and English and you display excellent organisational and team working ability.

Drive, initiative and flexibility are further aspects of your professional attitude.

We offer opportunities in the following areas:

1. Germany Research - analysis (including econometric) of the German economy and financial markets.
2. International Economics - analysis and forecasting of international economic and financial market developments with a focus on western Europe. (Knowledge of French, Spanish or Italian language is an advantage).
3. Country Economic Analysis - conducting country risk assessments; contributing to research effort on eastern European capital markets jointly with analyst in Frankfurt and London.

Economists

As the central research unit of one of the world's largest private banks we offer a challenging environment and excellent career opportunities. In addition to a performance related salary, we provide an attractive benefit package.

Please send your application, giving the field of research which interests you and your earliest possible starting date, to
Birgit Kuhlmann,
Deutsche Bank Research,
Guiollettstraße 48,
60325 Frankfurt am Main, Germany.

We look forward to hearing from you.

Deutsche Bank Research

Middle East Banking

Tax Free Salaries + Expat benefits

High Calibre banking professionals are urgently required by a number of our major Gulf based client banks. Assignments currently being handled include:

Product Marketing Manager
This is an exciting opportunity to join a dynamic retail banking team. The successful candidate will be responsible for the introduction, development and marketing of new products and will have extensive experience of consumer banking gained within a prime institution. Particular emphasis will be placed on distribution and managerial skills.

Corporate Finance Executive
The prime responsibility of this key role will be to develop our client bank's fee based business strategy covering medium sized corporations and local partnerships. Advisory services will include raising debt and equity capital, restructuring and flotations.

Manager Credit Card Operations
This leading regional bank has an urgent need for a specialist to take responsibility for all operational issues relating to its active credit card business. At least 10 years' financial services experience with a specialisation in retail banking/consumer credit systems and technology is essential as are strong project management and communication skills.

Investment Manager
This is a senior role with prime responsibility for the monitoring of a substantial, externally managed, investment portfolio. Our client, a major local bank, seeks to appoint an experienced fund manager with proven experience of the US dollar fixed income market to this important position.

Treasury Back Office Manager
A key role responsible for the daily operations relating to treasury capital markets and associated derivative product settlements. Candidates must have proven technical and communication skills and be able to interact effectively at all levels in a multicultural environment.

Electronic Banking Manager
As an integral part of its strategic retail banking thrust, this prominent local bank seeks to recruit a highly experienced banker to develop and manage it's network of ATM's, POS and non-cash self service systems. Products also include smart cards and telephone banking technology. Candidates must have an indepth knowledge of automated payment management and processing systems.

If you are interested in these challenging positions or in other banking opportunities in the Middle East, please send your resume in confidence to **Phillip Wright or Brian Jarvis.**

Devonshire *executive*
international human resource consultants
7 Birchin Lane, London EC3V 9BY
Tel: 0171 626 2150 Fax: 0171 626 2092 email: Exec@Devonshire.Co.UK

A Member of The Devonshire Group plc

Major European Bank

FIXED INCOME SALESMAN TO GERMAN INVESTORS

Paris based

Our Client :
Well established European Investment Bank active in multicurrency bonds dealing as primary dealer, rated AA.

The Position :
- *Develop Fixed Income sales (European Government bonds, Eurobonds, Asset swaps and Structured products) mainly to German and Austrian institutional investors.*

The Person :
- *A French or German national;*
- *University graduate, aged 28/35;*
- *Fluent in German and English, knowledge of French is advantageous;*
- *At least 3 years experience of the bond market acquired in a primary dealer team;*
- *Entrepreneurial behaviour, strong commercial orientation.*

The competitive remuneration package will be tailored to suit the right candidate.

Please reply with full details to Danielle ELOUEIS.

COR'EX
CONSEIL EN RECRUTEMENT
11, avenue Myron Herrick - 75008 Paris - Fax 42 25 13 23

EUROPEAN EQUITY ANALYST

Established, rapidly growing U.S. based money manager is seeking a results-oriented, analytical professional. Utilizing your knowledge of Western European markets you will be involved in developing new investment ideas and monitoring current trends in Europe. This position also offers the potential to manage a fund specializing in this region.

The qualified candidate is a highly motivated, self-starter with a minimum of 2 years experience focusing on Western European Markets. A willingness to travel a must. MBA and/or CFA preferred. The selected candidate will be working European hours, but will be based in the United States.

This challenging opportunity offers a competitive compensation package to complement your expertise. For consideration please send your resume to:

Financial Times, Box #A5737
Number One Southwark Bridge
London, England SE1 9HL

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Leeds	0113 242 5004
Leicester	0116 251 5556
Manchester	0161 833 9813

Shanghai CoLine Cocoa Products

We are finalizing the first large scale Chocolate factory in Shanghai. After its completion we will build another 16 downstream factories all over China. For our to be NASDAQ-listed Holding company in

Hong Kong

we now seek a qualified and multi faceted professional as

Chief Operation Officer

At the beginning, you will combine the functions of Office Chief, Head Treasurer for our excess liquidity, Corporate Secretary to liaise with the various regulatories, Controller installing an effective Management Information System and Head Commodity Trader establishing our buying department (mainly cocoa-beans).

You are 36+, ready to live in Hong Kong and travel in Asia. A banking and/or management background with experience in public companies is advantageous. You want to work in the most exciting and fastest growing market in the world. **To do that, you send your application to our Europeam Boardmember Mr René Müller, Hippocampus Corporate Development AG, PO Box 5138, CH-6305 Zug. Switzerland.**

Tel: +41 (41) 740 22 64
Fax: +41 (41) 740 22 65

COMMERZBANK is one of Germany's largest retail and investment banking groups. Based in Frankfurt, we have an ongoing commitment to worldwide expansion to strengthen our position as a major European Bank for the new millennium.

- In the field of asset management, investment activities for private and institutional clients continue to expand into new areas, with particular emphasis on the emerging markets of Asia and Eastern Europe. In 1995, assets under management increased 23% to DM 110bn.
- THE ASSET MANAGEMENT INVESTMENT RESEARCH TEAM plays a key role in identifying new investment strategies, thus driving Commerzbank's continuing program of expansion.

SECTOR ANALYSTS — RETAIL & AUTOMOTIVE

Frankfurt **£Excellent**

THE ROLES

- As a key member of the group's Asset Management function, your role will be to provide equity analysis for either the retail or automotive industries.
- Working closely with fund managers and other sector specialists, you will be instrumental in identifying global investment opportunities for Commerzbank Asset Management.
- These roles will allow you the scope to further develop your analytical and sector expertise as well as the autonomy to make your own judgements and influence investment strategy within your specialist field.

THE CANDIDATES

Experience is likely to have come from one of the following:

- the research function of an investment bank/asset management house, involving company analysis of retail/automotive or related industries.
- management consultancy involving analysis, problem solving and strategic planning for clients within the relevant industry sectors.
- a blue chip retail/automotive company, where role has involved quantitative analysis, strategic planning and market assessment.

In addition you will have:

- A PhD/Masters degree in a numerate subject.
- A high level of analytical skill and practical experience of quantitative research.
- Excellent communication skills, commercial acumen, ability to work effectively as part of a team.
- Some knowledge of German.

Please send CV's to our retained consultant: Tabassum Ahmad, Rizwan Nash Ltd, 45 Beech Street, London EC2Y 8AD, tel +44 (0) 171 628 5222 or fax on +44 (0)171 628 6270.

Rizwan Nash

Local representative needed for U.S. high-tech company specializing in billing of telecom internet and utility services. FTT, based in Atlanta, Ga., is the "10th hottest small business in America" according to Dun & Bradstreet and Entrepreneur magazine.

To apply, call (404) 467-1807 or E-mail borrell@ftt.net or visit us at www.ftt.net.

ENGINEERING DEGREE Recent graduate from top university with excellent academic credentials. Free to travel & relocate to foreign subsidiaries. English required, 2nd language an asset. Salary open. C.V. to Recruiter P.O. Box 55151 Sherman Oaks, CA. 91403 or Fax: (818) 981-6505 USA

WANTED

MARKETING MANAGERS-MBAS

Having global experience in banking, mobile phone, prize bond and lottery schemes where potential exists.

Apply with C.V. to Photon UK Limited, Premier House, 2 Gayton Road, Harrow, Middlesex HA2 2XU, UK quoting minimum salary for full/part time, or as consultant.

MUTUAL FUNDS REGISTRAR

A premier Caribbean offshore financial centre is seeking a professional to manage its Mutual Funds Registry. The ideal candidate will manage and regulate all mutual funds registry activities, liaise with foreign regulators to develop appropriate gateways for investment facilitation and advise government, financial and private sector agencies on licensing and legislative issues. The successful candidate will have industry accreditation, 10-15 years experience, knowledge of collective funds, UCITs, compliance issues, and government regulations, and the ability to implement new supervisory practices. Ideal for an individual close to or just retired, the position includes an attractive salary/benefits package and relocation expenses.

Applicants should apply with CV and covering letter to:

Box A5742, Financial Times, One Southwark Bridge, London SE1 9HL

Palm-Fringed Beaches, Hard Labour

Blakeney Management is a small investment firm specialising in the stock markets of Africa and the Middle East. We have four investment professionals and need a fifth to start at the bottom of the pole.

The person we take on will be prepared to work long hours for initially poor wages. She or he will speak and read good Arabic and French, have a strong accounting background, be an original thinker and have a sense of humour. The ideal person will be in their twenties doing well at a big accountancy or investment management firm and be looking for a less boring job where they can have a real impact on the place they work and possibly end up owning part of it. The interview will consist of being given two sets of company accounts, one in Arabic and one in French, and being asked to comment on them (in English).

*Please write, **don't phone**, to Caroline Vincent, Blakeney Management, 29 Chelsea Wharf, London SW10 0QJ, enclosing résumé and photograph, and marking the envelope "Job Application".*

APPOINTMENTS WANTED

RETIRED INVESTMENT ANALYST
seeks job writing for medium sized or small stockbroking firm.
Write to: Box A5745, Financial Times, One Southwark Bridge, London SE1 9HL.

Financial Controller
Extensive senior management experience as CFO in UK owned International Group, special expertise in cost control and profit improvement, fluent English/German, available for interim appointment in Germany.
Please fax to +49 40 538 56 58

Russian speaking
Investment Banker
Extensive Senior Management experience in Russia/FSU available for short or long term contracts
T/F: 00 7095 2303856

ACCOUNTANCY APPOINTMENTS

INTERNATIONAL SECURITIES AND INVESTMENT BANKING

HEAD OF INTERNAL AUDIT

Excellent remuneration package — **CENTRAL LONDON**

This is an outstanding opportunity in one of the world's foremost international investment banks. The Head of Internal Audit will be part of the management team in a high-profile role, with responsibility for all aspects of the audit function.

The Position

- Report to the Board, with day-to-day reporting to the Managing Director, Business Control and Administration.
- Establish the internal audit role in London, providing a risk-based internal audit service.
- Create and manage a comprehensive audit programme.
- Conduct special projects on behalf of the Board.
- Liaise with external auditors.
- Advise on enhancing the operation in terms of minimising risks, improving quality, efficiency and effectiveness.

The Requirements

- Qualified with a minimum of 3 years' post qualification, in either an internal or external audit role.
- Exposure to the financial services sector; knowledge of financial products is necessary.
- Leadership skills with a proactive management style and an ability to work under pressure.
- Well-developed analytical skills combined with business awareness.
- Strong interpersonal skills with the ability to communicate clearly, both orally and on paper.

Please send your CV with current salary details to: Fiona Jobson, K/F Selection, 252 Regent Street, London W1R 6HL, quoting ref: 6043/F. Alternatively send by fax on 0171-312 0020 or e-mail to cv@kfselection.com Internet Home Page: http://www.kfselection.com

K/F SELECTION

A DIVISION OF KORN/FERRY INTERNATIONAL

INTERNATIONAL HEALTHCARE SERVICES

GROUP FINANCE DIRECTOR

c. £100,000 + full range of benefits — **THAMES VALLEY**

With a growth rate in excess of 50% per annum, our client is recognised as a global leader in the provision of specialist services to the healthcare industry. The company is committed to an aggressive expansion plan which will encompass further development of existing operations in Europe and North America and new operations in Asia, Africa and Latin America in the near future. As a result of an internal promotion, an entrepreneurial finance professional is now required to provide financial and commercial leadership for this rapidly expanding business.

The Position

- Report to the Group Chief Executive and expected to be a proactive member of the Group Executive Team.
- Ensure the company's finance strategy supports its broad business objectives.
- Manage all aspects of financial planning, reporting and budgeting on an international basis.
- Further develop strong working relationships with the operating businesses, providing support and guidance.
- Manage and motivate an established Group Finance team, with functional responsibility for country-based finance professionals.

The Requirements

- Graduate-calibre qualified accountant, probably 40-45 years old, with broad commercial experience.
- International in orientation, ideally with experience of working overseas. Exposure to US GAAP would be a distinct advantage.
- Dynamic and entrepreneurial individual, willing to take the initiative and lead by example.
- Robust and tenacious, with outstanding interpersonal skills.
- Exposure to the healthcare industry and an appreciation of a project-led business would be a distinct advantage.

Please send your CV with current salary details to: David Burton, K/F Selection, 252 Regent Street, London W1R 6HL, quoting ref: 30925/K. Alternatively send by fax on 0171-312 0020 or e-mail to cv@kfselection.com Internet Home Page: http://www.kfselection.com

K/F SELECTION

A DIVISION OF KORN/FERRY INTERNATIONAL

Group Internal Audit Manager

Major UK FMCG Group — **West London**

c£45,000 + f/e car + Benefits

Synonymous with quality branded goods across the UK, Mainland Europe and the Asia Pacific region, our client is a blue chip market leader in the highly competitive FMCG sector, focusing on maintaining and developing strong brand innovation and product excellence.

Due to internal promotion to a senior finance position, an opportunity now exists for a Group Internal Audit Manager who will control the team across the UK and Continental Europe territories. Reporting to the Head of Group Audit, the key challenge will be to develop a team with a mix of skills appropriate to the requirements of the operating companies. Specifically, this will include:

- Managing and motivating a team of 8 and co-ordinating their work to deliver added value
- Making recommendations to senior managers and directors on issues arising from assignments
- Training staff as necessary, ensuring the appropriate skills base remains at all times
- Working closely with the Head of Group Audit to refocus the department strategy and drive new initiatives forward.

In order to ensure the Internal Audit function adds value throughout the organisation, the Group is currently reviewing its strategy with the aim of developing into an operational review focused function. The successful candidate will have experience in this environment and would be keen to support driving this challenge through.

The role calls for a qualified accountant with first rate management and presentation skills gained within a commercial environment. In addition to sound technical ability, you must have a well developed strategic and commercial vision and the credibility to influence key decision makers. You may currently be within a large international organisation looking for the next step into senior management, or you could be managing a similar function within a smaller group environment. In either case, you will need to be analytical with a high level of intellect and the energy and tenacity to thrive within a competitive, forward thinking culture.

Based at Twickenham, you will initially be expected to travel up to 50% across the UK and Mainland Europe whilst developing familiarity with key divisional management and operations.

In addition to an attractive package and large company benefits, you can also expect excellent opportunities for career progression. Interested candidates should contact Jonathan Jones at Jones Christopher on 0171 306 3202. Alternatively, please write, enclosing a full CV, stating current remuneration and quoting reference JC2728.

JONES • CHRISTOPHER

FINANCIAL RECRUITMENT CONSULTANTS

Jones Christopher, 4th Floor, Linen Hall, 162-168 Regent Street, London W1R 5TB. Tel: 0171 306 3202. Fax: 0171 734 6280.

Airline based in the Middle East

General Manager: Finance and Administration - Circa £60,000 per annum tax free with attractive family accommodation and health benefits.

Based at our client's offices in the Middle East.

Our client's airline is in a growing area of the Middle East and is in the process of improving its management.

We urgently need to appoint a General Manager of Finance and Administration reporting to the Chief Executive. The successful candidate will have the following attributes:

- Is enthusiastic
- Can develop a small effective and forward looking finance function
- Is independently minded and assertive
- Is numerate and computer literate
- Possess strong communication skills
- Strong analytical skills
- Is 30-40 years old
- Operates with a hands-on approach
- Has service industry and tight budgetary control experience.

To provide:

- Timely, independent, financial and management reporting
- A significant contribution to the management
- Positive input towards optimising business performance.

Candidates must be qualified accountants of graduate calibre and have substantial hands-on experience in a fast moving business environment. Airline experience may be helpful. Interviews will be held initially in London.

Please apply to Director of Personnel, Fitzroy Aviation, Bookham Lodge, Stoke d'Abernon, Surrey KT11 3QJ. All applications will be treated with the strictest confidence and must be received by 20 November 1996.

Financial Controller

Quoted Leisure Group

to £45,000

+ CAR + BENEFITS

LONDON

Recognised as a market leader within a distinct area of the leisure sector, this organisation has consistently demonstrated a healthy appetite for growth and expansion, both organically and via acquisition.

Further growth and profitability of the company allied to opportunities to increase market share has led to the need to appoint a talented Financial Controller to play a key role in the future development of the Group.

Specifically you will:

- **Provide a professional and effective finance function designed to clearly monitor, control and add value to all aspects of the business.**
- **Create and innovate ways in which finance can analyse business driven issues, with particular emphasis on improving performance across the business.**
- **Manage and motivate a committed finance team of the highest quality.**

As a graduate qualified ACA with a 'Big 6' background, aged 30 to 35, you will have worked at a senior level within a commercially focused role and in a plc environment where you can demonstrate a significant record of achievement in improving effectiveness and performance. You will be an excellent man manager and possess tough but diplomatic qualities combined with vision and ambition. Your verbal and written communication skills will be of the highest quality.

Interested candidates should write promptly to Michael Herst or Charles Austin at: Herst Austin Rowley, 30 St. George Street, London W1R 9FA, enclosing a full Curriculum Vitae and quoting reference HAR681.

Fax: 0171-409 7872.
Email: har@globalnet.co.uk.

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Finance Director

Package to £45,000 — **Manchester**

Royal Mail Cashco is an integral part of Royal Mail, being responsible for the distribution of high value services. These will include Cash, Secure Stock and Priority Services Traffic. It is a £50 million per annum business, operating in a highly competitive market. Following an internal promotion they now require a Finance Director. Reporting to the Managing Director, your responsibilities will include:

- To continue to improve and develop the quality of financial information and control to world class standards. Oversee the presentation of timely, accurate and relevant results.
- Develop and sustain a financial vision and management strategy, which meets the changing needs of the Business.
- Management of financial planning, budgeting and the provision of commercially focused management information, support and advice.
- Assess risks and opportunities that will impact on the financial performance of the Business and advise management accordingly.
- As a member of Cashco's board, help determine the future strategic direction of the Business.

Candidates will be qualified accountants, with a minimum of 5 years PQE. They will be able to demonstrate an excellent track record and strong technical and interpersonal skills. This demanding role requires the ability to gain quickly, a deep understanding of the business and its drivers, as well as at a strategic level, the performance and profitability of the company.

If you believe you have the necessary attributes to succeed in this organisation, then please send your Curriculum Vitae including your daytime telephone number, to the advising consultant at Harvey Nash Plc, 13 Bruton Street, London W1X 7AH. (Tel: 0171 333 0033, Fax: 0171 333 0032.) Please quote reference number HNF162FT. You may also apply via http://taps.com/Harvey_Nash

HARVEY NASH PLC

INTERNATIONAL OPERATIONAL REVIEW

up to £80k + F/X Car + Benefits

A FTSE 100 company, which is one of the UK's largest and most profitable international manufacturing businesses, is seeking an experienced, commercially aware accountant (aged 45+) with a strong operational background gained in a manufacturing environment.

Ideally the successful candidate would currently hold a Group Finance Director position or a Divisional Finance Director role in an International Group.

Reporting ultimately at Board level, the role is one of financially-based operational review with the primary task of highlighting areas of management and control for development and improvement within operating companies and central departments. This will cover control functions of the business including production, materials handling, sales administration etc. as well as financial issues in both operating and central areas. A substantial amount of travel (around 60% from a UK base) is required.

This unique opportunity is a high profile and senior role within the Group.

Applicants should be qualified accountants with experience of world class manufacturing systems and controls, have a good presence and must possess excellent communication skills. The position offers good career prospects within the Group.

Interested candidates should apply in writing to Nick Stephens at Nicholas Andrews, 126 Colmore Row, Birmingham, B3 3AP.

NICHOLAS ANDREWS

NA GROUP

birmingham • cambridge • leicester • nottingham • windsor

NICHOLAS ANDREWS & Temps Financial

Finance Director

Package to £100,000 — **East Midlands**

Our client is a fast growing UK financial services company with an annual turnover in excess of £55 million.

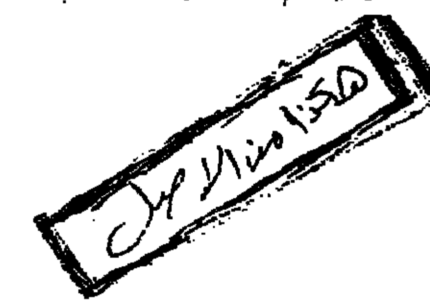
To ensure that their rate of growth is continued and their market position ever strengthened, they now require a high calibre Finance Director to complement their existing board of directors, to aid in the development and management strategy of the company. Reporting to the executive board, key areas of responsibility will include:

- Overseeing the preparation and production of management, financial and statutory accounts for the group, providing detailed commentary.
- Maintaining relationships with banks, professional advisors, DTI and other regulatory bodies. An understanding of compliance issues would be an advantage.
- Management of treasury.
- Providing expertise in company taxation and tax structuring to enhance tax efficiency.
- Counselling management on plans for business building, development and implementation of policies and programmes for profit improvement and financial management.

The ideal candidate will be a highly intelligent chartered accountant with 10 years PQE and a successful record in a senior finance position, preferably gained within a financial services organisation. To ensure their long-term success within the organisation, the successful candidate will need to fully understand the issues facing a growing business. They must be able to inspire respect and foster confidence in colleagues at all levels. They will relish the opportunity of developing policy and be able to effectively convey the strengths of their policies to the management team.

If you believe that you have the necessary experience and dynamism for this unique role then please send a covering letter and an up-to-date curriculum vitae to the advising consultants at Harvey Nash Plc, 13 Bruton Street, London W1X 7AH. (Tel: 0171 333 0033, Fax: 0171 333 0032.) Please quote reference number HNF163FT. You may also apply via http://taps.com/Harvey_Nash

HARVEY NASH PLC



The Health Science Group

Price Waterhouse

EXECUTIVE SEARCH & SELECTION

Head of Group Audit & Risk

Key Role in Leading Plc Bucks

About Us

Success and growth are words frequently attributed to us. A c.£400 million turnover company, we are a global leader in the health science industry with major markets in North America, Europe, Japan and a developing client base in Asia/Pacific. A hardworking, direct and open company, we employ the best and seek a Head of Group Audit and Risk to join us at an exciting phase in our development.

The Role

This new role offers an excellent challenge for the right candidate. Reporting to the Finance Director, you will lead a small team which is responsible for the Group's worldwide audit function. You will be working at the heart of the organisation: leading the establishment of the Group's control framework and risk management processes; providing leadership in developing sound internal controls throughout the group; and ensuring that our operations and systems meet the highest standards resulting in a fully effective organisation. We want someone to join us who will add value at the highest level.

About You

For this demanding role you will be a qualified accountant, probably from one of the big six firms, and working at a senior level. You may already have some experience of working in a major international company, or you could be in the profession and are now looking for the right move out. You will have extensive experience from a leading professional organisation of both financial and operational controls. You will have excellent analytical qualities, a strong intellect, be quick thinking with good communication and influencing skills. Added to this, you will be commercially aware and have a proven track record of driving projects through.

In return we offer an attractive salary including a car, performance bonus and other fringe benefits. Interested? Then send a CV and salary details, quoting reference J/1705 to:

Judith Richardson, Executive Search & Selection, Price Waterhouse Management Consulting Ltd, Southwark Towers, 32 London Bridge Street, London SE1 9SY. Fax: 0171 378 0647.
E-mail: Judith_Richardson@Europe.notes.pw.com

Exceptional opportunities - European IT Industry

West London based

NEC is a world leader in computer and communications technology with a global turnover in excess of £25Bn. These outstanding opportunities at our European headquarters in London will appeal to talented accountants with the ability to progress within the organisation as the business develops. The Company has recently made a substantial investment in its own IT infrastructure with a large scale implementation of SAP.

Group Management Accountant

to £38,000 + executive car + benefits

This challenging commercial role involves the analysis of strategic business unit performance, presentation of results and discussion with senior management. This includes budgeting, standard costing, the analysis of variance and pan European inventory control. Whereas similar experience is valuable, interpersonal skills and the ability to understand the broader aspects of business are also important.

Recently Qualified Accountants

to £29,000 + benefits

Management Accountant

Working with the group management accountant, you will be analysing the performance in a fully integrated computerised environment and supporting operational management at senior levels.

Financial Analyst

Ideally you will have some experience with a multi-national company since acquiring a CIMA qualification within the last two years and be able to contribute to the business by proposing improvements based on sound analysis. The variety of work includes consolidation of management accounts from European subsidiaries, analysis of results against budget estimates and preparation of budget guidelines from each subsidiary.

Financial Accountant

Ideally you will be in your mid 20's with one to two years post qualifying experience. This interesting and varied position includes both treasury and taxation roles. Whilst training will be given, some experience in one of these areas would be preferable. Responsiblities will include cash management and forecasting, corporation tax and VAT.

Please send details of your career to date including salary to John MacNiven, NEC (UK) Ltd, 1 Victoria Road, London W3 6UL, or fax to 0181 235 4944.

C & C for Human Potential **NEC**

ENRON CAPITAL & TRADE RESOURCES

CREATING ENERGY SOLUTIONS WORLDWIDE

INTERNATIONAL TAX MANAGER

LONDON **EXCELLENT PACKAGE**

Enron Capital and Trade Resources is a subsidiary of Enron Corporation, one of the world's largest integrated natural gas companies, with assets of approximately $14 billion and over 7,000 staff.

Enron Capital and Trade Resources is responsible for energy merchant services to provide clean energy solutions for customers throughout the European market.

Owing to tremendous, sustained growth, Enron now seeks to recruit an International Tax Manager, reporting to the Senior Director of Taxes.

Principal responsibilities for the successful individual will be:

- providing tax advice on M & A opportunities in Europe, the former Soviet Union and the Far East
- liaising with the US Tax Department and providing US tax advice on projects
- substantial ad hoc advisory work on a variety of projects including UK and European pipeline developments, providing advice on complex derivatives products, transfer pricing issues and the global trading of commodities.

Assertive, articulate and well presented in order to deal with all levels of staff up to and including Board members of major MNCs, the successful candidate will have the following profile:

- currently working within a commercial organisation or for a premier accounting firm, an outstanding Tax Specialist with a minimum of six years post qualification experience
- exposure to US taxation issues is desirable, but not essential
- able to work under pressure in a demanding environment; an outgoing team player with proven communication and interpersonal skills and a highly commercial outlook.

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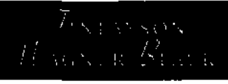

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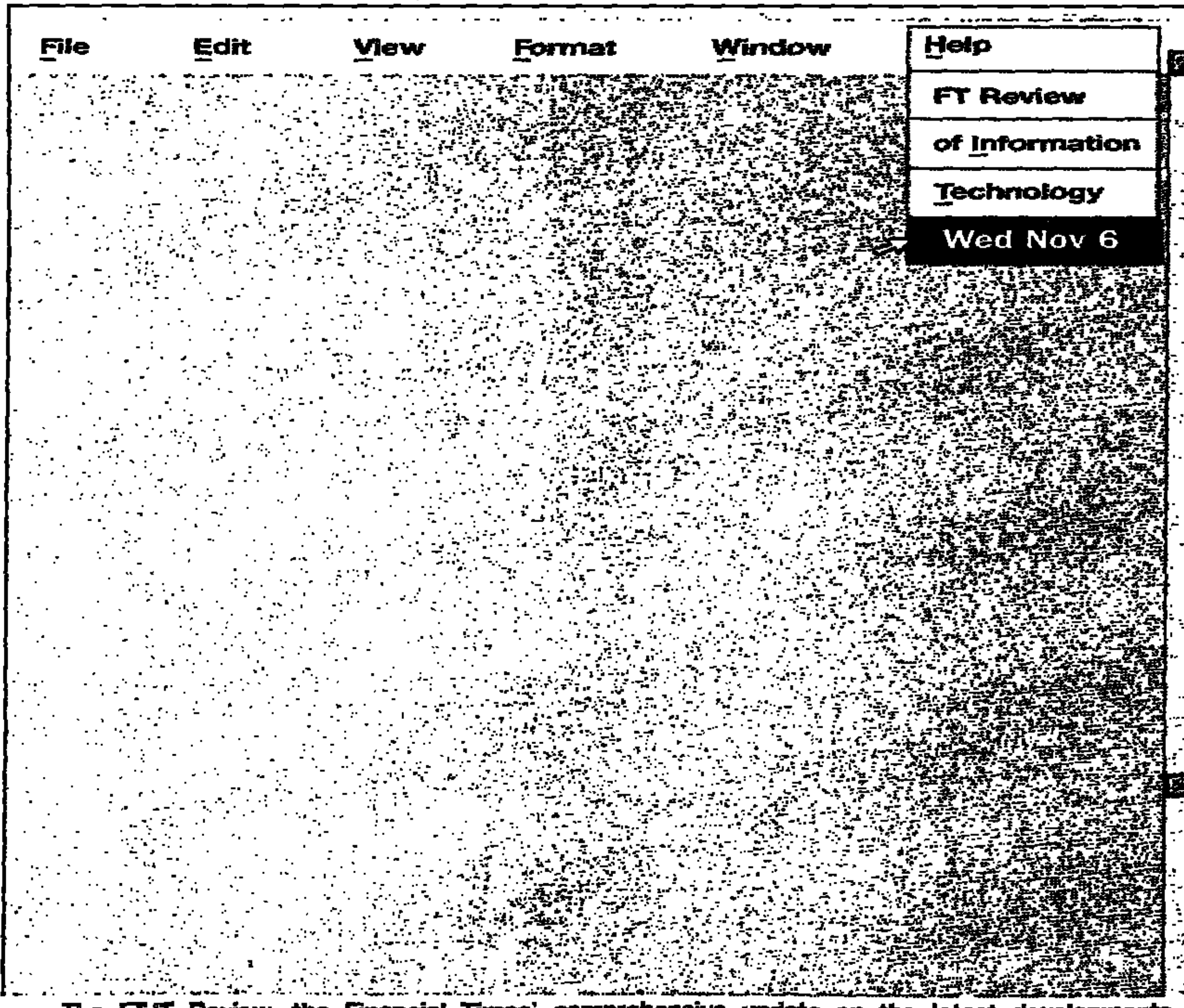

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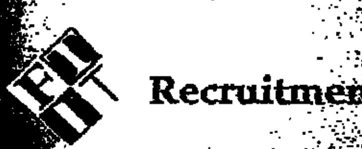
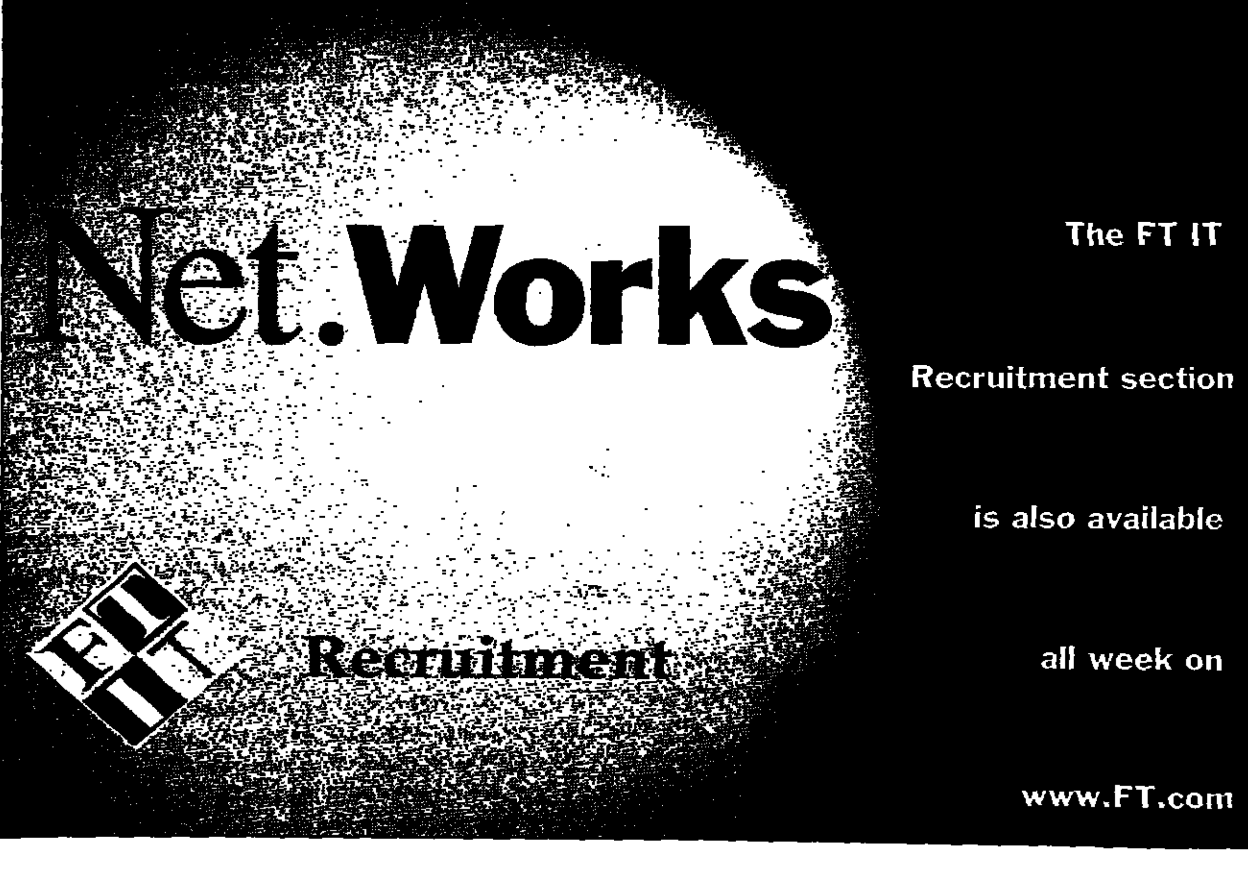


For a pointer on what the future of IT holds, see todays survey.



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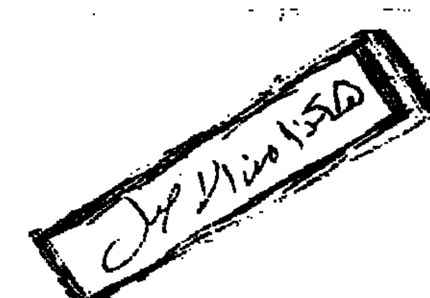


MIDDLE EAST and NORTH AFRICA CAPITAL MARKETS

Appetite survives political turmoil

This is one of the last uncharted areas remaining for a large amount of cash chasing limited opportunities, says Roula Khalaf

The political headlines from the Middle East and North Africa in the past year have been anything but reassuring, and the faltering peace process has deterred investment in Israel and shaken confidence in the Jordanian market. But, in general, the political turmoil has coincided with increased appetite among institutional investors for products out of other emerging Arab securities markets.

Egypt's decision to accelerate its long-delayed privatisation programme has put it at the very centre of attention, but investors are also hungry for attractively-priced Lebanese and Moroccan paper.

A series of factors has converged to make the region popular this year:

● First is that a large amount of international cash is frantically chasing after a limited supply of lucrative opportunities. "People are looking for every corner they can find," says Jim Holden, a director at Salomon Brothers responsible for corporate finance in the Middle East.

The Middle East and North Africa region qualifies as one of the last remaining uncharted territories, with several countries having stabilised their economies while their capital markets remain underdeveloped. According to the International Finance Corporation (IFC), total foreign portfolio investments – both equity and fixed income – jumped from $2bn in 1986 to $81.6bn in 1995. The Arab Middle East was the smallest recipient, accounting for just 1.4 per cent of the total.

Beyond Israel, only nine Arab countries in the region have formal markets: Saudi Arabia, Bahrain, Egypt, Jordan, Kuwait, Lebanon, Morocco, Oman and Tunisia. Foreigners can, to varying degrees, invest in only five: Jordan, Lebanon, Egypt, Morocco and Tunisia. Foreign ownership is limited to 50 per cent in Jordan and 10 per cent in Tunisia. A single fund run by London's Blakeney Management also provides international investors exposure to Oman.

Scott Delman, a director of Foreign and Colonial Emerging Markets, which in 1994 launched the first fund to invest in the region, says: "Egypt is one of the few markets where one can sit down today and rationalise how you double your money, on the basis of capital flows increase, number of institutional domestic vehicles and current valuation levels." Prices on the Cairo exchange average less than 10 times earnings, and privatisation issues are launched at five times earnings. The market is up some 12 per cent so far this year.

Investment managers are increasingly under pressure not to ignore these markets. Both Egypt and Morocco will be included in the IFC global composite index for emerging markets as of January 1997 (Jordan is already included), and managers' performance is measured against the index.

Jim Robertson, investment manager at Edinburgh Fund Managers, was one of many emerging markets investors to venture onto Arab bourses for the first time this year. Last spring, he sold some of his investments in South Africa to buy equity in an Egyptian bank.

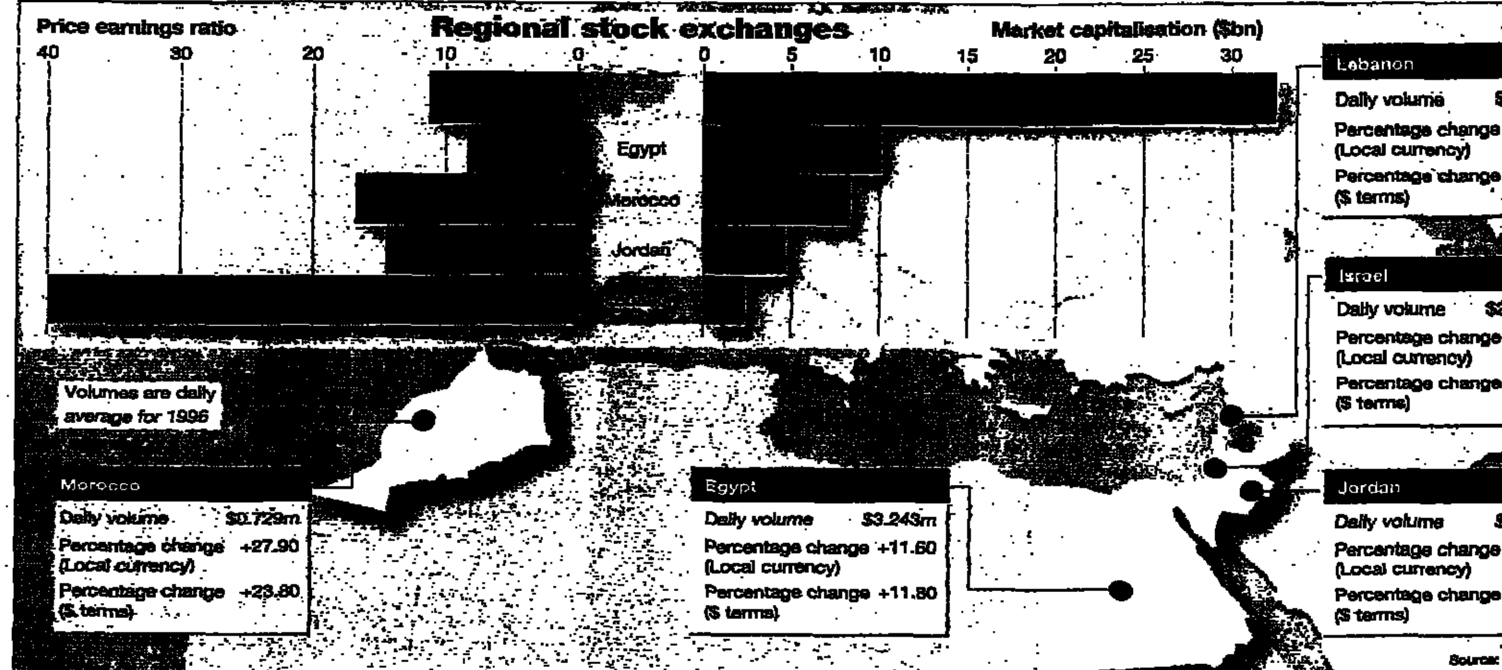
The Middle East and North Africa account for a mere 1.5 per cent of a £50m fund Mr Robertson runs, but he expects the region's weighting in his portfolio to rise in the next 12 months.

Country and company analysis is no longer a rarity. International investment banks have led a concerted effort to create demand for Middle East and North African products by devoting extra resources to research and promoting instruments such as global depositary receipts – paper traded on international markets in lieu of underlying shares – to facilitate investors' first forays into the region.

● Second, although the region as a whole has lagged behind the rest of the developing world in terms of growth – the World Bank reported last year said that per capita incomes had dropped by about 2 per cent a year since 1986 – several countries have shown commitment to liberalisation and reached macro-economic stability through International Monetary Fund-sponsored structural adjustment programmes.

In Egypt, inflation is now running at about 8 per cent, and the budget deficit has been trimmed to just over 1 per cent of GDP. Similar trends are found on average in Jordan, Morocco, and Tunisia. All these countries have either signed or are expected to sign partnership agreements with the European Union designed to create free trade zones with Europe within 12 years.

Privatisation is on the agenda throughout the region but, outside Morocco, governments have only recently realised the urgent need for an acceleration. Even cautious Tunisia, often paralysed by concern over social stability, has now speeded upthe sale of public enterprises.



Source: ING Barings

● Third, while political instability deters investment, and while a comprehensive and final peace agreement would no doubt heighten interest in the region and boost the flow of foreign funds, the peace process directly affects very few of the markets.

The greatest impact is in Israel, where the market is far more developed – with total capitalisation of some $32.4bn – than the rest of the region and peace is essential to domestic and international confidence. But the Tel Aviv stock market has been in the doldrums since 1994 due to high interest rates and low participation by long-term institutional investors.

Jordan had pinned great hopes of economic prosperity on the peace treaty signed with Israel in 1994. But a series of other factors are also holding down the Amman financial market's performance – the market is down nearly 7 per cent since the beginning of the year – including high interest rates, lack of liquidity and delayed implementation of capital market reforms. Amman was partially opened to foreign investors only last year.

In Lebanon, the future of reconstruction and the ambition to regain its former role as a financial centre serving at least part of the region are directly linked to movement on peace. But, despite the political risk, Lebanon's private sector has been the most aggressive in raising funds on international markets.

Lebanon's expatriate community has been the main investor, but international institutions are increasingly eager to add to their portfolio a Lebanese security selected from a stable and profitable sector.

Egypt signed a peace treaty with Israel in 1979, and its political risk lies in the potential for domestic turbulence stemming from continued repression of a widespread Islamist opposition and from failure to meet social needs and generate sufficient economic growth. Fund managers point out that four months of accelerated progress on privatisation are a good indicator of a new-found political commitment to liberalisation but not a guarantee that the process will always proceed smoothly.

In Morocco, meanwhile, investors' main concern is that the economy remains at the mercy of rainfall, with drought pulling down growth to a negative 10 per cent one year and rain swinging it back to a positive 10 per cent the next. With unemployment at 25 per cent, agriculture accounting for nearly half of employment, and incomes of the rural population about half those in urban areas, Morocco is often described as having moved at two different speeds, one taking it towards prosperity, the other maintaining it in continued misery.

In Egypt, as in Morocco, Tunisia, Jordan and Lebanon, what seems of more immediate concern to investors is whether, given the rate of growth of a young population, and current levels of unemployment, governments can deliver the high rates of growth required to absorb new entrants into the workforce.

"People wax eloquent about the economic potential of these countries, but 5 per cent growth is simply insufficient to meet aspirations," says Foreign and Colonial's Mr Delman.

Reforms must also tackle the capital markets. Investors complain of a lack of liquidity, transparency and central depository and transfer systems. What's more, stock markets for the most part still rely on privatisation for new issues as the private sector, dominated by family businesses, is still reluctant to open up to outside capital. Corporate debt markets remain in their infancy, with only Tunisia having made strides in that direction.

Moreover, the region's potential will continue to be limited by the fact that not many more markets are likely to open up to foreign capital. Oman is expected to be next, and there is talk of allowing foreign investment on the Kuwait exchange.

But there is little chance that Saudi Arabia, the region's largest market with more than $50bn in capitalisation, will let foreigners in, given the available vast domestic pool of savings. Meanwhile, other countries considered to have size and potential are either politically and economically unstable, like Iraq and Algeria, or still too slow in implementing economic reforms, like Syria.

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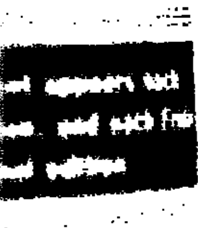
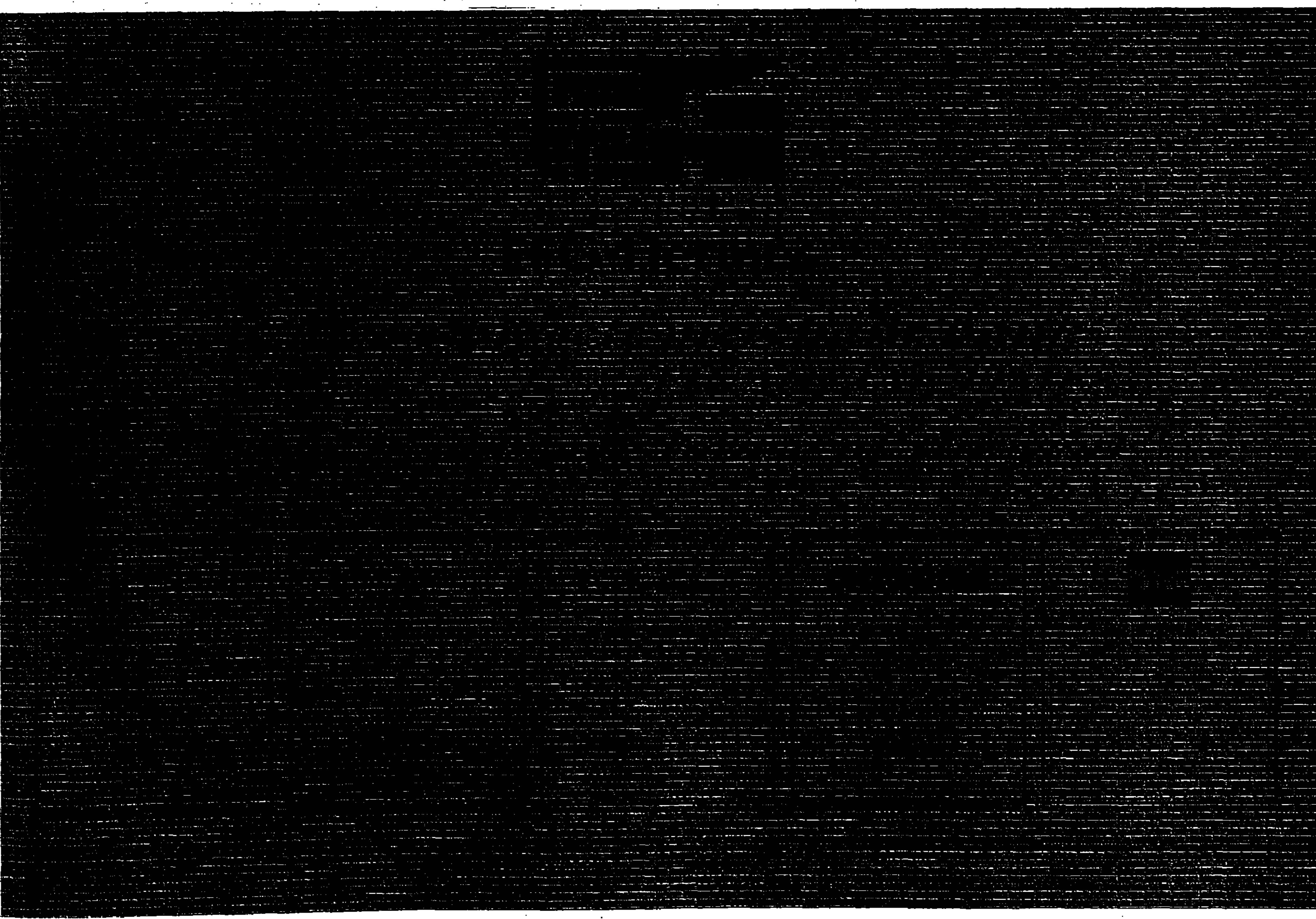




■ **Gulf economies** • by Robin Allen

Pressures mount as oil states dither

Countries need to find alternatives to declining wealth from energy

Startling evidence that Gulf states have to stop the outflow of capital and re-invigorate their economies comes in a 1996 list of annual per capita figures compiled by the World Bank. Population growth and declining revenues are hitting the pocket of Gulf citizens to a degree inconceivable five years ago.

Per capita annual income in Saudi Arabia, once held in public imagination as the richest of Gulf oil producers, is now only $6,900, compared with some $19,000 in 1980 at the height of the oil boom. The income of the average Saudi is now well below his counterpart in some developing countries, and below the World Bank's rich-poor median line of $7,620. The UAE, Qatar, and Kuwait, together with Israel, are well above the median line.

Bahrain, which since last April has depended on Saudi Arabia for half of its annual budget revenue, is on the median line. Oman, a relatively recent oil producer and, according to Western bankers, an early if unconvincing entrant into the race to privatise, is below Saudi Arabia and Greece but above Lithuania.

The figures can only be a proportional indication of the fall in national wealth, because they are based on population figures which include expatriate workers, who make up an average 40 per cent of the total population of some 25m in the six Gulf states.

By definition, per capita figures give no indication of Gulf oil producers' true wealth, which is underground. Gulf countries, excluding Iran and Iraq, together own 43 per cent of proven global oil reserves. The recent rise in oil prices and revenues, which provide an average 75 per cent of Gulf countries' annual income, has given Gulf oil producers a temporary reprieve for the purpose of window-dressing year-end budget balances.

But when it comes to developing their capital markets for the sake of future infrastructure and other capital needs, increasing national economic activity, and tapping the immense pool of private Gulf capital invested overseas – over $600bn, according to the Arab Banking Corporation; twice that according to senior Saudi bankers if private assets of Gulf ruling families are included – the World Bank figures demonstrate that Gulf states have barely moved.

Nemir Kirdar, president and chief executive officer of the Bahrain-based Investcorp – which many western bankers regard as the only successful Arab investment bank – warned in a recent speech in Washington: "Energy is not going to bring Gulf countries the wealth they enjoyed in the past. So the question is, how can these countries generate other sources of wealth?"

In the Gulf, he added, "there is a decline in real per capita income and a growth in the public deficit". The Gulf countries, he pointed out, have some of the highest rates of population growth – an average 3.5 per cent a year – in the world. "To absorb their fast-growing population, the Gulf states need to create 200,000 jobs a year." To do this, Gulf states need "truly modern and efficient corporations. Governments should get out of the way and allow business to play its appointed role in the creation of jobs and prosperity."

A prerequisite is the creation of effective capital markets, which according to Andre Hovaguimian, the International Finance Corporation's director of investments for the Middle East, North Africa and central Asia, is one of "four ingredients which the countries themselves must provide".

The other three, he suggested, are: "government resolve to encourage private investment; a stable macroeconomic situation; a clear and transparent framework and well-defined regulations and structures in terms of obligations, tariffs, concessions and competition".

Commercial banks, he said "face difficulties in financing infrastructure projects because of the size and maturities of the financing needed".

Across the entire Arabian peninsula, project finance accounts for less than 5 per cent of total commercial bank loans. The total value of issues outstanding in corporate bond markets in the entire area is less than $100m, according to a report this month from the Jeddah-based National Commercial Bank. There is no regional private sector financial institution specialising in medium-term loans. Gulf businessmen say the state institutions that exist are as cumbersome as the states that own them.

The way forward, Gulf bankers say, is to securitise, once a government or governments have decided what they want to do. The client and foreign partner set up a specialist company, with the client retaining 25 to 50 per cent plus a single share giving it the right of veto. The specialist partner takes a stake of around 25 per cent, and the rest is floated.

The only significant example of a securitisation is the Equate Petrochemical plant in Kuwait, where 10 per cent of investment company Bubiyan has been floated.

The Gulf is more notable for the large numbers of institutions which tap Gulf money to invest overseas. In Saudi Arabia, Prince Al Waleed is using United Saudi Commercial Bank as a merchant bank to build property interests in North America and Asia, and in Europe with Euro Disney. Bahrain-based Investcorp uses its Gulf shareholder base to buy, turn around and sell companies in the US and Europe.

Some western securities houses are setting up mutual funds in collaboration with Gulf regional investors. The Dubai government's Emirates Bank International is "looking at the possibility of a separate merchant bank", according to Suresh Kumar, head of EBI's treasury and capital markets unit. Arab Insurance group, in Bahrain, is planning to raise $200m from the private sector to increase its capital. "But", say western bankers, "collectively these efforts do not even scratch the surface of the huge unexploited potential of Gulf capital to be invested in this area."

For a start Gulf, states have to lift the 49 per cent foreign ownership restrictions before private sector investments into the Gulf can materialise. "This is a highly political decision which has to be taken," according to Bernd Fahrholz, director of Dresdner Bank's corporate and international division.

That is not the only political decision Gulf rulers have to make. Four Gulf states – Bahrain, Kuwait, Qatar and the UAE – have already been admitted to the World Trade Organisation, while Oman and Saudi Arabia have applied. Membership involves obligations as well as benefits. The former include privatisation, the harmonisation of external tariffs, liberalising investment rules, enforcing intellectual property rights, and reducing subsidies. Gulf states have so far achieved little on any of these.

Annual per capita income ($ '000)

Middle East v selected countries

M. E. country	Income	Selected country	Income
UAE	20.0	Japan	25.4
Qatar	15.9	Canada	20.3
Kuwait	14.8	France	19.5
Israel	11.0	US	18.7
Bahrain	7.6	UK	18.1
		Germany	14.0
		S. Korea	12.3
		Latvia	8.7
World Bank rich-poor median line (7.6)			
Saudi Arabia	6.9	Greece	6.0
Oman	5.8	Lithuania	5.3
Iraq	2.0	Brazil	2.7
Jordan	1.2	Mexico	2.5
Syria	1.0	Chile	1.9
Lebanon	0.7	Poland	1.7
Egypt	0.6	India	0.4
Yemen	0.5	Pakistan	0.4

Source: World Bank

■ **Country risk assessment** • by Samer Iskandar

The need for understanding

Agency ratings can sometimes appear to be rather confusing

As they seek to attract increasing flows of foreign direct investment, monetary officials in the Middle East and North Africa are facing the choice of whether to seek a credit rating. But, until recently, the nature of relations between local issuers and rating agencies was unclear, ranging from indifference to outright hostility.

Egypt, for example, complained about the Ba2 rating issued last month by Moody's Investors Service, claiming the agency "could not grasp the strong foundation of [the country's] economy". The economic affairs ministry is hoping to "put things right" by hiring a competing rating agency for a second opinion.

In this particular case, Moody's attitude was equally puzzling to observers – at least at first sight. The agency issued its rating only days after government officials insisted Egypt had no "need or desire" to borrow on the international capital markets.

Conversely, the Lebanese Republic, whose central bank has become in recent years a regular issuer (on behalf of its government) of eurobonds, never felt the need to seek a credit rating.

Scarcity of international bond issues by Middle Eastern borrowers partly explains the lack of understanding of credit ratings.

When Lebanon launched its first eurobond, three years ago, one senior government official explained that rating agencies were unlikely to "understand our mentality". Redeeming sovereign debt, he said, "is not a question of financial accounts; it is a matter of national pride."

Lebanon's central bank holds 9.2m ounces of gold in its reserves – worth roughly $3.5bn. The official claimed that although selling the gold requires an act of parliament, Lebanese investors – the main buyers of the first eurobond issue – knew that the bullion could be considered as good as collateral, "a better guarantee than any rating we [the government] could get" from an international rating agency.

The agencies, however, claim their actions provide information to investors that goes beyond the mere evaluation of the likelihood of default on a particular debt instrument.

"In the Middle East, as in many non-OECD countries, we often find that banks' operating environment is a significant factor," said Andrew Cunningham, a senior analyst at Moody's. "Bank analysts always work within the boundaries of the sovereign ceiling."

One senior manager at another rating agency explained that although many emerging markets do not list securities available to investors, "cross-border interbank dealings now take place in every single country ... a sovereign credit ceiling is a precious indication of the risks involved when one deals with any entity based in the country" – so-called currency transfer risk.

This view was echoed by a London-based banker, who said: "It does not matter that you have deposited your money at the local branch of a triple-A Swiss or American bank. You would still be in trouble if the government decides to re-instate exchange controls overnight."

In some Gulf countries, where governments are traditionally secretive about national accounts, rating agencies' enquiries were seen as unjustified meddling in state affairs.

However, Arab investors were pleased that most oil-rich Gulf countries fared relatively well by rating agency standards. This is due to the fact that the level of revenues in hard currency plays a significant role in rating agencies' assessments. But it is not the only factor. Mr Cunningham, at Moody's, insists that the rating process "is very much a qualitative, not a quantitative process".

Recognition of credit ratings is set to increase as the region embarks on the globalisation trend in the footsteps of other emerging markets – such as Latin America and eastern Europe.

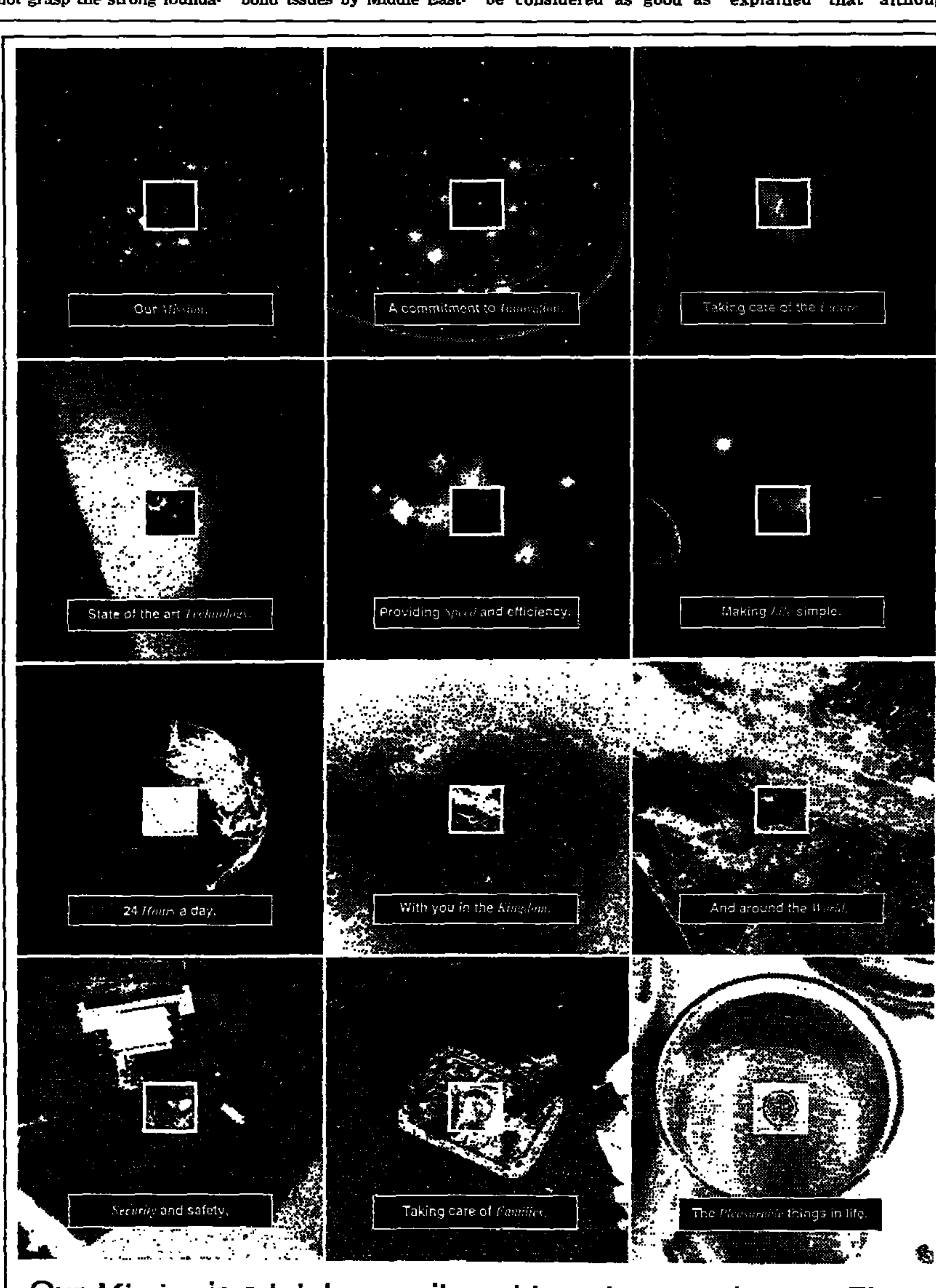
Promising signs are already visible in some countries, such as Lebanon and Morocco, which are reported to be seeking first-time ratings with international agencies.

Elsewhere, a representative of the IMF recently commented on Egypt's rating: "To have a rating is important, because it signals [the country's] commitment to integrate itself into the world economy."

Long-term sovereign debt ratings

	S&P	Moody's	IBCA	Other*
Bahrain		Ba1		AA
Egypt		Ba2		BBB+
Israel	A-	A3	A	AA
Jordan	B+	Ba3		A
Kuwait		Baa1	A	AA
Lebanon				BB+
Morocco				BBB
Oman	BBB-	Baa2		BBB+
Qatar	BBB	Baa2		A
Tunisia		Baa3	BBB-	BBB
UAE		Baa1		AA

*Capital Intelligence: highest rated financial institution in the country
Source: Credit Ratings in Emerging Markets



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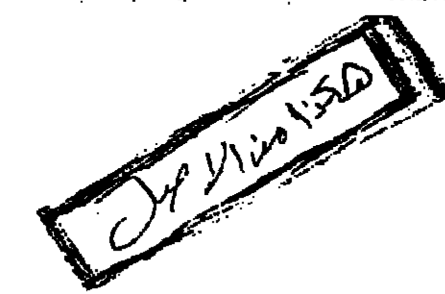

■ **Bond markets** • by Samer Iskandar

Currency risk depresses

The Moroccan Tranche A provides the most liquid debt instrument

While the region's stock exchanges benefited from the overwhelming bullishness on emerging markets, Middle Eastern bonds attracted far less interest, despite the high yields they offer.

Lack of supply is partly to blame, but other factors are also responsible. Currency risk is certainly one of them. The Egyptian pound, for example, lost more than 50 per cent of its value between 1991 and 1992, while the US dollar appreciated by 218 per cent against the Lebanese pound in the first half of 1992.

When investors turned to the emerging markets earlier this year as a result of declining returns in more traditional bond markets, the first instruments they could think of were Brady bonds – issued in exchange for distressed commercial debt and collateralised by US Treasury bonds. The unavailability of Middle Eastern Brady bonds excluded these markets from the initial wave of capital flows, which went instead to eastern Europe, Latin America and south-east Asia.

What came closest to Bradys was Morocco's so-called Tranche A debt, consisting of restructured commercial bank debt. But, unlike Bradys, Tranche A is not collateralised. It is, nonetheless, the most liquid debt product in the region, with about $2.8bn outstanding.

"Tranche A is the most actively traded and the most widely-held debt instrument in the Middle East and North Africa," said Ousmene Mandeng, an economist at West Merchant Bank. It has also offered an impressive performance since the beginning of the year, appreciating by 28.6 per cent in the first nine months, before correcting by roughly 5 per cent in the last few weeks, in line with other emerging market bonds.

Elsewhere in the region, only a handful of eurobonds exist.

The Jordanian Telecommunications Corporation last year launched $50m of seven-year eurobonds, which attracted European, Asian and US demand with help from a guarantee by the World Bank.

But, surprisingly, the most regular issuer of eurobonds in the region is Lebanon, with almost $1bn in outstanding bonds – $800m of it in sovereign debt.

Lebanon's most liquid market, however, is that for Treasury bills, with over L£15,000 of tradeable debt with maturities of three, six, 12 and 24 months. But despite generous yields of between 15 and 30 per cent, foreign interest has remained limited, partly as a result of currency risk.

But currency fears appear to be receding. Dominic Hughes, manager (Middle East) at Flemings, commenting on the Egyptian pound, said "a brutal fall is unlikely", although he predicts "the currency could depreciate over the long term". If this relative stability persists, it would favour bond issuance.

Charles Blitzer, emerging markets chief economist at Donaldson, Lufkin & Jenrette, is bullish. "Improving economic fundamentals make it a good time to test the waters," he said. Both Egypt and Morocco, for example, could achieve a significant reduction in their average financing costs by shifting from domestic borrowing to international bond issuance. But although there have been ongoing rumours of a possible Moroccan eurobond, Mr Mandeng says this is unlikely in the near future.

The region's next benchmark issue is more likely to come from Egypt, market participants say, although officials recently denied the country had any "need or desire" for foreign funds.

Morocco Tranche A

Index (130, 120, 110, 100, 90, 80, 70); 1995, 1996

Source: Datastream

■ **Financial engineerng** • by Samer Iskandar

Securitisation of Lebanese debt

High yields on Lebanese T-bills offer various opportunities to create structured products. By sacrificing part of the yield, financial engineers generate a margin that can be used to enhance other characteristics – such as credit quality or a hedge against adverse currency fluctuations.

Capital Investment Services, a Beirut-based investment firm, is one of a half-dozen firms pioneering such methods in Lebanon. It regularly securitises T-bills, issued by the central bank with yields of between 16 and 30 per cent, into so-called "senior notes" offering a guaranteed income in US dollars ranging from 10½ to 16 per cent.

The yield give-up is repackaged into what CIS calls "junior notes", with no fixed yield but a leveraged bet on the parity of the Lebanese pound against the dollar.

The notes are sold to international investors through a special purpose vehicle - Lebanese Securities Inc (BVI) - and clearing and settlement can be handled by Cedel and Euroclear, the international clearing banks.

CIS has issued six series of securitised notes since 1994, totalling almost $65m. The returns on the junior notes have ranged from 31.6 per cent to almost 90 per cent (on an annualised basis).

■ **Islamic finance** • by Sean Evers

Sidestepping the devil

New funds permit Moslems to make investments in companies with debt

The Koran states that "those who benefit from interest shall be raised like those driven mad by the touch of the devil".

Until now, this decree has deterred many Moslems from investing in equities, but, according to emerging Islamic jurisprudence, the hand of the devil can be sidestepped, as the market has recently witnessed with a burgeoning number of new Islamic equity funds. It is now permissible to buy shares in companies with "significantly less debt" than the average concern.

Traditionally, devout Moslem investors have put their savings in banks, and foregone interest, or placed them in mutual fund-type deposits, in which they and the banks share in profits as well as losses. Islamic banks have generally invested the funds in Islamically acceptable products such as leasing, commodities dealing and trade finance. It is estimated that more than $60bn is held in investments traditionally allowed by Islamic Law.

Among scholars committed to the strict interpretation of the ban on interest, the conventional wisdom held was that investing in companies which have debt on their books is against the strict prescription of the Koran. Some institutions have ignored this rule for years and determined an arbitrary gearing they deemed acceptable.

However, religious attitudes towards equity investments have softened in the last few years as Islamic institutions' deposits grew much faster than the range of acceptable products to invest in.

Over the past two years, at least seven Islamic equity funds have been set up, including a $137m fund launched by Saudi Arabia's National Commercial Bank, at least three of which have been established by western financial institutions.

Flemings was the first, launching its $20m Oasis Fund in February this year, an open-ended umbrella fund specifically tailored for Islamic investors. Its objective is to provide long-term capital growth through investment in a diversified portfolio of international equities while conforming to Sharia, the Islamic law.

> Islamic equity funds have a Sharia supervisory board

Sharia places several restrictions on Moslem investors. They must not finance activities prohibited by the Koran, such as gambling and the consumption of alcohol, and financial services companies are out of bounds as Moslems are not allowed to receive interest.

The UK-based PFM Group has created the "Ibn Khaldoun" International Equity Fund, capitalised at $25m. It will invest in a range of Islamically-acceptable stocks in the international, Islamic and Arab markets, eliminating all companies with a gearing level above 33 per cent.

A distinctive feature of an Islamic equity fund is the appointment of a Sharia supervisory board, an independent committee of three prominent Fiqh (Islamic jurisprudence) scholars to advise the fund on matters of Sharia. The board also ensures the "purification" of the fund: all interest earnings must be purified and stripped out of returns to investors and paid to charity.

The international index of blue chip companies, the MSCI World Index, is used as a benchmark by Flemings and PFM: of the 3,000 companies listed, only 1,000 pass Flemings' Islamic screening test.

Mohammed Ramady, PFM Group managing director for the Middle East, said: "The growth in the number of Islamic equity funds is limited because there is a limit in the number of scholars of stature available to sit on the necessary boards."

Banque Nationale de Paris, which has established the Caravan Fund at $35m, has not set up a Sharia board, but it has adhered to Islamic guidelines such as setting a low maximum gearing level of 30 per cent.

Further Islamic funds are expected before the end of the year from Faysal Islamic Bank of Bahrain and The International Investor, a Kuwait-based Islamic investment company.

The Koran's teaching has steered devout Moslems towards non-interest investment in banks — Picture: Robin Constable, The Hutchison Library

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TREASURY & FUND MANAGER INV (TFM-1)	• CA/MBA with major in finance • Related 10 Years experience in fund management with a bank • Highly motivated, result oriented person • Excellent interpersonal communication skills • Computer literate preferred • International contacts in financial services industry • Exposure to development of Islamic financial instruments.
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Benjamin Netanyahu: His policy on peace in the Middle East has a strong bearing on investment in Israeli stocks Picture: Reuters

■ **Israel** • by Avi Machlis

All eyes are on Netanyahu

Israeli stocks have taken a tumble since the PM's election

Israel's capital markets are at a critical juncture as investors wait to see if Prime Minister Benjamin Netanyahu will act quickly to revive them from the slump which began in 1994.

Regional stability and continuation of the Israeli-Palestinian peace process are prerequisites for recovery. But analysts believe Israel's volatile financial markets must be rid of severe structural defects and unfavourable macro-economic conditions in order to achieve long-term stability.

"The peace process is a must for the local market," says Eli Nahum, head trader at Zannex Securities in Tel Aviv. "But once there is a peace process, only the economy matters."

Recent turbulence in the markets reflects political trends and economic indicators. As of mid-October, the Mishtanim index of the top 100 stocks on the Tel Aviv exchange had tumbled more than 10 per cent since the day before Mr Netanyahu was elected in May.

But the precarious state of the markets predates the election and recent political instability. Market capitalisation of shares on the TASE dropped from Shk187.6bn in 1993 to Shk103bn in September this year. The Mishtanim had lost more than 25 per cent of its value since early 1994 through to last October. Average daily volume of Mishtanim stocks fell from Shk100m in 1993 and in 1994 to a meagre Shk38m in the first eight months of 1996.

Israeli industrial companies have almost stopped raising money on the saturated and jaded market; they raised just Shk33m on the TASE in the first half of 1996, compared with Shk1.6bn in all of 1993.

By contrast, some 80 Israeli companies, mostly hi-tech industries, flocked to Wall Street during the same period. Israeli politicians and businessmen forever boast how foreign investors support Israel's technology stocks, but this trend highlights the lack of domestic capital and weaknesses at home. "Once there is no secondary market there is no primary market," says Mr Nahum. "You can't raise money here in Israel today."

This crisis is traced back to the absence of traditional long-term institutional investors on the markets. For example, pension funds and long-term provident funds, or long-term savings, invested mostly in non-tradable government bonds and were not permitted to invest in equities.

To address these problems, a government-appointed commission headed by David Brodet, the finance ministry director-general, recently unveiled a paper recommending sweeping reforms of the capital markets. The measures are aimed at wooing Israelis towards long-term savings and gradually increasing the funds' presence on the markets. This would entail levying a minimum 5 per cent tax on interest on short and medium-term deposits and creating incentives for long-term saving.

Mr Brodet recently said Israel's capital markets would "cease to exist" in the long term if all of the recommendations were not adopted. However, it remains unclear whether Mr Netanyahu, who considers the measures unpopular, has the will or ability to push even a watered-down version of the reforms through the Knesset (parliament).

"Investors are waiting to see if the government is serious about making Israel's capital markets similar to international capital markets," says Victor Halpert, Israel analyst at Salomon Brothers, the US investment bank.

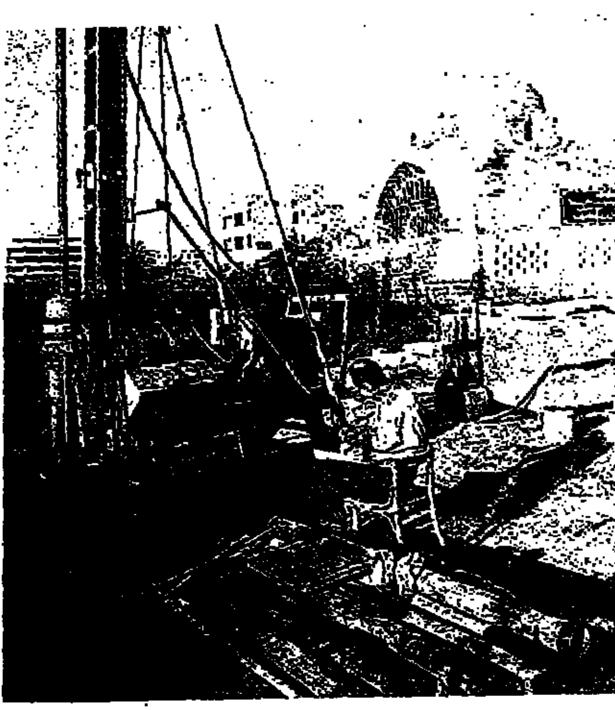
They are also waiting for Mr Netanyahu to fulfil his promises of widespread economic reforms, but stimulating the market will be difficult as long as interest rates remain high; the Bank of Israel's key lending rate has been set at 15.2 per cent for November. High rates have exacerbated the crisis by driving funds from long-term savings to short-term deposits and Treasury bills with attractive yields over the past year.

The central bank is unlikely to lower rates significantly until a trimmed 1997 government budget is approved in parliament and inflationary pressures subside. Analysts predict reduced rates would precipitate a large-scale move back to equities. But they warn this will not be enough, and insist structural reforms must complement these macroeconomic measures.

■ **Lebanon** • by Roula Khalaf

Private sector is quick to adjust

But Beirut struggles to attract foreign funds for reconstruction



More liquid securities are needed for reconstruction Chris Stowers

Last April's 17-day Israeli bombardment of Lebanon, followed by the stalling of the Middle East peace process, is leading local and Gulf Arab investors to shy away from investing in long-term projects such as real estate and tourism.

But Lebanon's private sector has been quick to adjust to the potential loss in capital inflows. To maintain the momentum of the repatriation of funds needed for a $60bn, 13-year reconstruction project, the private sector has rapidly shifted strategies to offer nervous investors more liquid securities.

Lebanon's banking sector has been at the forefront of this change. Since the beginning of the year, blue chip banks have tapped international capital markets for close to $400m in mostly fixed-income securities. Solidere, Lebanon's largest company which is rebuilding the ravaged downtown district, is also preparing a global depositary receipt issue.

"There is a considerable reversal among Gulf investors," says Marwan Ghandour, head of Lebanon Invest, a local investment bank. "The average investor who used to take all kinds of paper has become more reluctant" following the May election of Benjamin Netanyahu, the new hardline Israeli prime minister. Mr Netanyahu is opposed to Israel's withdrawal from Syria's Golan Heights, a prerequisite for a peace deal with Syria and Syria-dominated Lebanon.

Banking, one of the rare surviving industries of 16 years of civil war, never defaulted on its obligations. The banks themselves are extremely profitable, since most of what they do is borrow and invest in high-yielding treasury bills, and they enjoy one of the highest rates of liquidity in emerging markets.

With 79 banks in operation, Lebanon is hugely overbanked and the industry's capital has been eroded through steep devaluation of the Lebanese pound. Mergers and acquisitions are expected to become common, and banks are scrambling to raise their capital. Meanwhile, local deposits are largely short term and prevent most banks from engaging in medium and long-term lending.

Tristan Clube, manager of the Martin Currie Near East Opportunities fund, says that Lebanese paper – yielding 250 to 300 basis points above US Treasuries – is regarded as expensively priced relative to other emerging markets.

So far, however, the majority of investors in Lebanese issues have been Lebanese expatriates or local residents who keep their funds outside the country. "The issues are more attractive to Lebanese and other Arab investors, who don't normally invest in other emerging markets," says Mr Clube.

Lebanese investors also appear to pay closer attention to domestic politics than to the regional context. This is evidenced by their flight from the Lebanese pound when Rafiq Hariri, the prime minister and architect of Lebanon's reconstruction, threatens to resign, a move which would jeopardise reconstruction plans.

Paul Rafael, a managing director at Merrill Lynch, says the trend is changing, and international institutional investors have also been showing increased interest in Lebanese issues. Some 40 per cent of a $100m issue for Banque Audi was sold in October to institutional emerging markets investors and carried a longer maturity of five years. Stretching the maturities will allow banks to use funds raised to lend longer term domestically.

Expanding the capital base far beyond Arab investors, however, requires that banks receive their own ratings and that they tailor equity offerings to international investors by issuing GDRs, for example.

While the Lebanese private sector has been adept at raising money internationally with the help of local investment bankers, the domestic capital market, on which Lebanon is pinning its hopes of regaining the role of financial centre, remains desperately underdeveloped.

So far, the Beirut Stock Exchange – opened in January – has done little to attract funds from abroad for reconstruction projects, and the regional political uncertainty will continue to discourage equity issues.

Capitalisation of the bourse has jumped from $500m at the beginning of the year to $2.5bn. The rise is due, however, to the moving of Solidere, which has a capitalisation of $2bn, from the secondary market to the official exchange.

With a total of only five stocks listed, daily volume averages less than $600,000, with trading concentrated on Solidere. Although the market is open to foreigners, Solidere's bylaws allow only Lebanese and Gulf Arabs to own the stock, which is why the company is planning a special GDR issue targetted at international investors.

Gabriel Sahnaoui, chairman of the Beirut bourse, expects the banks which have tapped international markets to join the bourse in the near future, now that laws have been reformed to allow banks to float up to 30 per cent of their shares.

Cairo Stock Exchange: the engine room of revival

■ **Egypt** • by Sean Evers

Cairo becomes a hot favourite

State sell-offs are attracting many foreign mutual funds to the bourse

Down a dusty side street in central Cairo, the engine of Egypt's economic revival is being revved up in a fading 1920s colonial mansion, which at first more closely resembles a crowded, smoky bus station than the hottest stock exchange in the Middle East and North Africa.

Mustapha Youssef Roushdy, a 33-year-old Cairo building contractor, has invested E£300,000 in the Egyptian Stock Exchange (ESE) over the past two years. He now spends more time following the market in the stuffy showroom at the Cairo bourse than he does running his contracting business, "because it pays better".

He has earned 30 per cent on his investment as compared to the 9 per cent he was making at the bank. The EFG-Hermes index is up 34 per cent since early July.

According to Egypt's Capital Market Authority (CMA), 800,000 other Egyptians have taken the same path as Mr Roushdy since July 1993, when there were only 30,000 investors dealing in the market. The CMA believes that at least 5 per cent of Egypt's 60m people have the resources to invest in the ESE.

Foreign portfolio investors have dramatically increased their share of activity on the ESE in the first nine months of 1996.

Ahmed Abdel Wahab, vice-president of Concord International Investments, says: "Investors are coming in – both foreign and local – due to fundamental reasons: a very stable macro-economy, an extremely cheap market, and a stable foreign exchange rate."

Since 1991, Egypt has been undergoing a process of reform that has resulted in significant economic changes. The inflation rate has been brought down to less than 8 per cent this year, from 19.7 per cent in 1991, and the budget deficit is down to a little over 1 per cent of GDP. Foreign exchange reserves have increased to about $18bn this year, which firmly underpins the Egyptian pound.

Cairo's p/e ratio is presently 8.5, which is a 58 per cent discount over south-east Asia and 52 per cent over Latin America. It enjoys 12 per cent earnings-per-share growth and an 8 per cent dividend yield. The International Finance Corporation will include Egypt in its Global Composite index in early 1997.

After years of slow growth and gradual adjustment to market disciplines, Egypt finally began its privatisation programme in May, one of the pre-eminent factors driving market growth.

Local brokerage houses, of which there are more than 100, claim the "breakthrough" came on May 7, when the government sold a 75 per cent stake in the highly profitable Medinet Nasr Housing & Development Company. This was the first sale, through the stock exchange, of a majority stake in a state company – and it turned the market.

The Public Enterprise Office (PEO) sold majority stakes in 14 companies on the ESE between May and September, attracting 190 foreign mutual funds into the market, and lifting the daily trading volume to E£22m on some days. The PEO has announced an ambitious timetable for the next 21 months: it intends to sell 91 state companies with a total value of E£18bn.

Abd El-Hamid Ibrahim, chairman of the CMA says: "The market capitalisation has increased to E£37bn this year despite the fact that we de-listed 180 of the 746 listed companies for non-trading."

The stocks have come from the construction, milling, financial and pharmaceutical sectors, not unlike other emerging markets. The Suez Cement Company is expected to have a net profit of E£265m this year giving, it a p/e of 9.02; North Cairo Flour Mills had a net profit of E£82m in the last financial year and is presently trading with a p/e of 8.18; EIPICO pharmaceuticals is expected to have a net profit of E£75m this year, giving it a p/e of 8.73; and National Societé Générale has been the top performing financial institution in the market with a p/e of 7.9.

In the next year, attractive public offerings by the private sector are expected to come on the market, particularly in the industrial sector, and the four public sector banks have been instructed by the government to offload their holdings in joint venture banks.

Mr Wahab, who returned home to Egypt in 1995 to set up the first foreign investment management company licensed to open a branch in the country, says: "We were surprised to discover, that unlike their Middle East neighbours, the Egyptian middle class are great savers." The Egyptian banks are currently holding E£100bn in household sector deposits.

Fifteen mutual funds focusing on Egyptian equities have been set up, three of which are offshore, with a total value of about $650m. Three more international Egypt funds, with a total value of $200m, are expected to move onto the ESE soon.

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Loans	2138.2	2293.1	2937.8
Total Assets	7140.7	7609.0	8515.9
Contingent Accounts	1072.6	1197.5	1361.8

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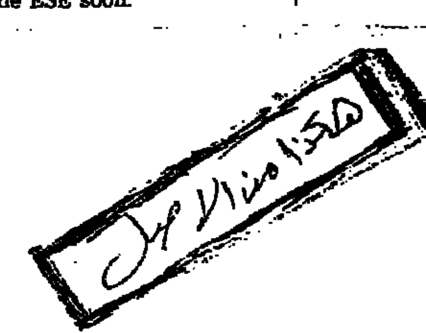

■ **Morocco** • by Roula Khalaf

Casablanca hopes for index funds

Privatisation programme disappoints after a promising start

That Morocco has been losing out to Egypt as the main magnet of foreign portfolio investment is raising anxieties in Casablanca.

There is, however, one piece of good news that is lifting brokers' spirits: the International Finance Corporation (IFC) has decided to include both Morocco and Egypt in its global composite index as of January 1997, with Morocco predicted to receive a 0.4 per cent weighting, compared with a mere 0.2 per cent for Egypt.

Although the Cairo market capitalisation is about 21 per cent greater than Morocco's, after the exclusion of government holdings, Egyptian capitalisation drops to $1.5bn in the IFC index, compared to about $4bn for Morocco.

Local brokers expect the move will attract index funds and a wider range of emerging markets investors into the Casablanca bourse.

When emerging markets investors with a taste for adventure travelled through the Middle East and North Africa three years ago, Morocco's emerging market appeared the most promising. The country had a sizeable population of 28m, an established private sector, and a clear commitment to liberalisation and economic reform. But most attractive of all, it had a bourse set for take-off through an ambitious and smartly marketed privatisation programme designed to introduce companies on the bourse at a discount in order to draw in the small investor.

The interest shown by emerging markets gurus such as Mark Mobius, of Templeton International, and Morocco's need to attract foreign investment were important factors in the government's decision to begin offering part of the privatisation action to foreign investors.

But after an exciting start, privatisation has fallen behind targets. And, as drought led the Moroccan economy to falter badly last year, exposing its severe vulnerability to climatic conditions, foreign investors' appetite began to wane.

In 1995, foreign investors were net sellers on the Casablanca bourse, according to Angus Blair, of ING Barings. But the surge in local demand, with the setting up so far of 17 mutual funds with total funds under management of Dh1bn, was such that prices continued to move up. The market gained 11.2 per cent last year in dollar terms, despite a negative rate of gross domestic product growth of more than 10 per cent.

So far this year, amid bountiful rainfall and expectations of a 10 per cent positive growth rate, the bourse is up more than 24 per cent in dollar terms.

Increased local demand, however, has in turn dampened foreign investors' interest, as the average price earnings ratio reached 14 compared to half that in Egypt. "Morocco has become somewhat expensive," says Mr Mobius.

Moreover, strict reporting rules have led many companies to delist, with the total dropping from 72 to 46 this year.

Morocco's privatisation ministry says it is determined to accelerate the programme and supply the bourse with new issues, but it has been fighting obstruction from other government departments. Abderrahmane Saaidi, the privatisation minister, has promised to add new sectors to the privatisation list, with telecommunications as the main attraction. He has also been attempting to simplify privatisation rules, asking that the evaluation committee which determines the minimum price at which assets can be sold, set an indicative rather than minimum price.

The privatisation ministry has, in the past year, issued nearly Dh2.8bn worth of so-called privatisation bonds, which can trade on the bourse and can be exchanged for shares in future privatisations.

By the end of 1997, the bourse should have a central depository system as well as electronic trading, moves which will increase transparency. Brokers, who one year ago complained of lack of liquidity, report an improvement this year.

The Casablanca bourse has seen several rights issues as well as secondary offerings, but the private sector is reluctant to launch initial public offerings, opening up capital to new shareholders and books to the taxman.

"All parts of the puzzle are coming together," says Jalal Houti, a director of Upline Securities, a local broker. "The only thing we need now is for companies to list."

To compensate for reduced interest in Morocco and capitalise on the growing attraction of other markets in the region, Upline is reaching beyond Casablanca and has linked up with a brokerage house in Jordan and another in Egypt to offer its clients stocks on all three exchanges. The Jordanian partner, for example, is providing it with research on local companies, which is then published and distributed by Upline to international institutions investing in Morocco.

...posed to the climate: Morocco's economy falters in time of drought   Panos Pictures

Gulf markets

	GDP ($bn)	Market cap ($bn)	Turnover ($m)	Listed companies	Market index change (%) 1994	1995	1996 H1	Accessibility to foreign investor
Bahrain	4.3	4.7	106	36	-21.2	-12.7	+0.2	● Open to GCC nationals ● Foreigners resident in Bahrain for at least three years may own up to 1% of the capital of a single company ● Foreigners can trade shares in only four of the 36 listed companies
Kuwait	22.7	13.8	6,392	50	-1.9	+39.5	+18.5	● Open to GCC nationals ● Non-Kuwait residents are allowed to own shares through mutual funds
Oman	10.6	2.0	211	82	+28.5	+8.3	+15.0	● Open to GCC nationals ● Open to foreign investors through mutual funds, up to 49% of listed companies
Saudi Arabia	126.0	40.9	6,198	69	-28.7	+6.0	-3.7	● Open only to Saudi nationals ● Other GCC nationals can own up to 25% of listed companies ● Shares traded over the counter through banks
UAE	38.2	11.5	250	77	-5.0	+11.3	+9.3	● Open to UAE nationals and partly to other GCC national

Sources: Arab Monetary Fund, Quarterly Report on Arab Stock Markets, and other regional and national sources

■ **Gulf states** • by Robin Allen

Control held behind closed doors

Small markets may one day bow to calls for a regional exchange

For two hectic months early last summer, the price of shares soared on the United Arab Emirates' (UAE) unofficial stock market as speculators sought to take advantage of "the good image", as analysts later put it, of two newly-established companies. The price of Dubai Investment Company (DIC) shares almost doubled, and rose almost 600 per cent in Abu Dhabi Shipbuilding Company (ADSC).

The UAE central bank, in a rare intervention, warned of the dangers of a crash similar to that in 1982 on Kuwait's Souk Al-Manakh, which caused gross losses of more than $25bn and helped cripple Kuwait's private sector for more than a decade.

Only Bahrain, Kuwait and Oman have official stock exchanges. In the UAE, Qatar and Saudi Arabia, share dealing is done by telephone through a few brokers and local banks. Lack of regulation and insider-dealing are the norm.

Price speculation, rife in Kuwait and Saudi Arabia, had not up to last summer been a feature of the UAE stock market, and remains virtually absent from Bahrain, Oman and Qatar. "Such speculation and the adventurism of Kuwaiti and Saudi investors are the main rationale for the UAE's decision to keep its stock market closed to foreign investors," one broker suggested.

However, a more convincing reason for keeping Gulf markets closed to outsiders, bankers say, is that it enables the wealthiest individuals, not only in the UAE but in most cases up and down the Gulf, to maintain their control of publicly-quoted stocks. "In the UAE," one analyst pointed out, "the share volume moving is minimal. Only some 200 small investors trade. The big shareholders consist of a few families who do not trade." In the whole of the UAE, according to Henry Azzam, chief economist at Saudi Arabia's National Commercial Bank (NCB), the total number of shares traded last year was less than 3 per cent of shares outstanding.

Some Dubai businessmen, frustrated by the lack of alternative domestic methods, are taking advice from western accountants with a view to registering their companies in British offshore centres in order to obtain a listing on the London Stock Exchange's Alternative Investment Market.

Bahrain and Muscat, which have cross-listing arrangements, are the only exchanges open to foreign investors. Gulf businessmen are almost unanimous in saying they are also the best regulated. "But you must have one market for the whole area," says Werner Benz, Dresdner Bank group's chief representative for the Middle East. "Individual markets are too expensive and too small." His views are echoed by Dr Azzam: "The GCC countries must push...for a regional capital market which would symbolise regional economic co-operation."

Dr Azzam told a conference in the US last month: "The market capitalisation of the Gulf states, at $73bn, is less than 4 per cent of total global emerging markets; and Saudi Arabia's share is 56 per cent of the Gulf total."

Through public investment funds, the Saudi government owns more than 58 per cent of quoted shares, according to Salem Al-Ghamdi, of Dhahran's King Fahd University of Petroleum and Minerals. Another 30 per cent is owned by the country's wealthiest individuals. Neither group trades.

It has taken Egypt 30 years for its stock exchange to reach its present level of maturity. "The stock market is developing very well," said Shahir Kolta, Citibank's vice-president of corporate finance in Cairo. "The central depository system, the trading system and settlement system have all been speeded up. Egypt will be on the IFC's emerging market index next year and will continue to attract overseas investors," he said.

In the meantime, stock exchanges "are set to play a stronger role in the Gulf economies," according to David Knights, of Bahrain International Bank. The main issue, he says, is the pace of evolution. But experience suggests that Gulf rulers will only force the pace as they run out of their preferred option; that of keeping a tight rein on their own national economies.

Gulf Co-operation Council: Economic indicators, 1981-95

	1981-85	1986-89	1990-91*	1992-94
Real GDP growth (%)	-2.7	1.7	8.9	1.7*
Oil (%)	-11.7	9.4	18.5	0.2*
Non-oil (%)	4.5	1.2	4.7	1.9*
Inflation (%)	0.5	0.6	3.2	1.4*
Budget (as % of GDP)				
Total revenue	51	38	38	35
of which: oil and gas revenue	37	23	30	27
Total expenditure	52	50	52	46
Current	24	35	36	38
Capital	21	13	7	7
Overall surplus/deficit	-1	-4	-13	-10
Balance of payments (as % of GDP)				
Exports	62	49	56	50
Imports	51	46	49	48
Trade account surplus	11	3	7	2
Current account surplus/deficit	7	-1	-7	-6
Overall surplus/deficit	1	-2	-	-3

*excluding Kuwait   Sources: IMF, World Economic Outlook 1995, and IMF, International Financial Statistics March 1996

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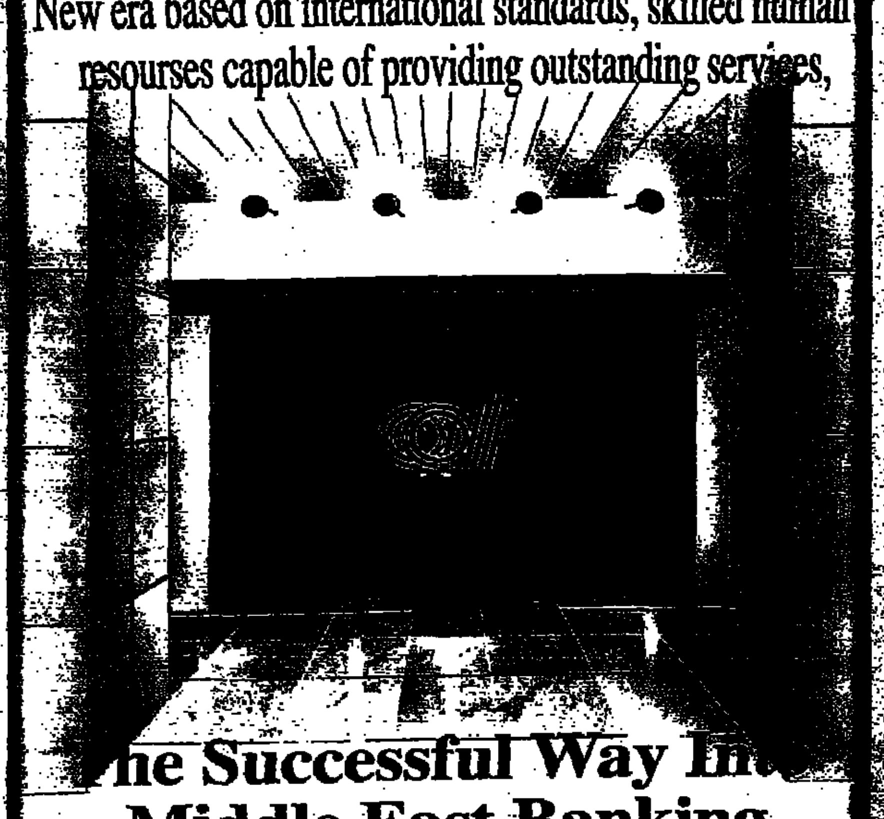

THE COMPETITIVE EDGE

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■ Equity markets • by Samer Iskandar

Unrelenting flow of funds boosts region

Settlement and clearing systems can present problems, however

International investors' increasing appetite for higher returns – as well as tolerance for associated higher risks – so far this year has been a boon for emerging markets. Although more familiar markets in Latin America and eastern Europe have benefited most, the unrelenting inflow of funds eventually spilled over into the Middle East and North Africa.

But investment opportunities remain limited, and the process of investing is, in many cases, further complicated by less-than-adequate clearing and settlement systems.

● Analysts point to Egypt's as the most promising stock market in the region. The Cairo Stock Exchange has seen a regular stream of new issues, due in large part to the government's extensive privatisation programme. The market's capitalisation had risen to the equivalent of roughly $10bn at mid-October, from $8.2bn in May.

Free-float – the share of the market's capitalisation accessible to investors after deducting cross-shareholdings and government-owned stakes in listed companies – has gradually increased, also as a result of privatisations, and is expected to continue expanding.

● Elsewhere, high hopes are being pinned on Lebanon. The market capitalisation of listed shares is currently limited at less than $2.5bn. The largest company, accounting for four-fifths of this figure, is Solidere – the real-estate concern entrusted with re-building the commercial centre of Beirut. But ownership of its shares is still limited to Lebanese and other Arab investors.

Four other companies list their shares on the Beirut Stock Exchange, but have attracted little foreign interest due to lack of liquidity. Analysts, however, are optimistic that liquidity will rise when shares of Audi and Byblos, two of the country's six largest banks in terms of assets, start trading.

These listings were made possible by a recent reform of the regulatory environment, which previously restricted trading in bank shares. Until the end of 1995, bank stocks could only be issued in registered form, with a ceiling of 49 per cent on foreign ownership. Following the reform, this ceiling was raised to 66 per cent and issuance of bearer shares was allowed for up to 30 per cent of the capital. Lebanese officials say further liberalisation is on the cards.

● Morocco is one of the region's most accessible markets, with no restrictions on foreign participation. But despite a capitalisation of almost $7bn – and rising with help from an ambitious privatisation programme – the exchange suffers from a chronic lack of liquidity. This is due to substantial institutional shareholdings, mainly by local insurance companies which are discouraged from trading their portfolios by heavy taxation of capital gains. A government decision earlier this year to reduce this tax burden has yet to be translated into liquidity on the market.

● Tunisia's economy is often described by analysts as the region's success story, which promises good company results and potentially strong stock market performance. But the authorities have maintained a cumbersome regulatory framework restricting foreign stakes in local companies. As a result, the proportion of the market's capitalisation that is accessible to international investors is currently capped at around $1bn – an amount that is not sufficient to allow liquid trading.

Issuance of Global Depositary Receipts – paper traded on international markets in lieu of underlying shares – was greeted by emerging market investors as one of the most promising new trends in the region. Only a handful of issuers, from three countries, have so far followed this route, but analysts predict an acceleration of issuance.

Existing issues are from Morocco's Banque Marocaine du Commerce Extérieur, Egypt's Commercial International Bank, and Lebanon's Banque Audi.

But healthy performances on the secondary market have inspired other issuers. The GDR from CIB, for example, has constantly traded above its issue price ever since it was launched earlier this summer, reaching gains of up to 30 per cent. "Investors see it as a proxy for growth," said Suha Najjar, a Middle East analyst at Nomura Research. "It is an instrument that allows the investor to take a view on the country's economy."

Suez Cement, the largest capitalisation on the Cairo Stock Exchange, last month announced that Salomon Brothers, the US investment bank, had been retained as global co-ordinator for a GDR issue of up to $100m.

In Lebanon, Banque Libanaise pour le Commerce recently decided to follow in Banque Audi's footsteps. It intends to issue $50m to $60m of GDRs, and has chosen as lead managers Nomura International and Middle East Capital Group, a recently-established investment bank in Beirut.

A GDR issue by Solidere is also expected to follow, for an amount of around $100m.

Ms Najjar is optimistic that GDR issues will widen the appeal to investors of Middle Eastern and North African equities, pointing out that holders of the CIB issue willingly agree to pay a premium of around 6 per cent over the price of the local share. "A small price to pay to avoid all restrictions ... and circumvent any difficulties concerning settlement and custody."

PROFILE Hassan Heikal

That's no mistake...

Hassan Heikal's boss at Goldman Sachs in London told him he was making the biggest mistake of his life when he chose to leave the City last year. He had decided to return to Egypt to become a partner in what was then the Egyptian Financial Group (EFG), now EFG-Hermes following a merger in June.

Mr Heikal, although very conscious of the risk, said he figured that "if you want to get on the train, you should join it before it leaves the station".

He believed that Egypt would become *the* emerging market in the Middle East. "Now, a year later, I have no doubt that this will be the case," he says.

As competitors, both EFG and Hermes played pioneering roles in the development of brokerage facilities for Cairo's stock market. Between them, they accounted for an estimated 32 per cent of secondary trading on the bourse. Now, with staff of 150, EFG-Hermes is the local market leader in research and company analysis.

"I initiated the merger because I realised that in the not-too-distant future our main competition would no longer come from the 100 small local brokerage houses," said Mr Heikal. "It would come from large international financial institutions. We are now prepared for this inevitability".

The merger has allowed the new company to grow much faster than it would have if the two firms had remained independent, and it has positioned EFG-Hermes to become Egypt's primary investment bank. In the short term, the new company plans to open a branch network throughout Egypt, and in the medium term to gradually play a regional role.

Mr Heikal believes "the market is exponentially growing, the pie will become huge, so, yes, we will grow. But we will not grow with the same percentage of the market" because of increased foreign competition. "We are big today, but our challenge is to remain big in 10 years' time."

Mr Heikal's former boss at Goldman Sachs is now extremely bullish about Egypt.

Sean Evers

Hassan Heikal: no doubts about Egypt's prospects

Your guide to ADRs and GDRs

Samer Iskandar explains what they are and who might need them

Q: Investors often mention ADRs and GDRs. What exactly are they?

A: These acronyms refer to a family of instruments called Depositary Receipts. They are receipts for shares of a foreign company, often listed in a stock exchange that is not easily accessible to non-resident investors.

The underlying shares remain in safe-keeping with a bank in the issuer's home market, but the receipt itself may be traded elsewhere. Dividend payments are usually in US dollars, and DRs can be issued with, or without, the voting rights of the underlying stock.

American Depositary Receipts – also called American Depositary Shares – are traded in New York. Similar instruments listed on other stock exchanges, such as London or Luxembourg, are called Global Depositary Receipts.

DRs can normally be converted back into the ordinary shares, although this process can sometimes be costly and time consuming.

Q: Why not directly buy the shares themselves?

A: Depositary receipts are often an attractive alternative to the ordinary shares when international investors have little confidence in the ability of domestic institutions to safeguard securities. They allow investors to circumvent problems caused by poor or unwieldy settlement systems.

When investors buy and sell DRs, settlement may be through Cedel and Euroclear, the European clearing banks (for GDRs), or DTC, the US settlement system (for ADRs).

The use of DRs can also offer international investors access to equity markets which would otherwise be out of reach – for example when local legislation places restrictions on the foreign ownership of shares.

One further advantage is the elimination of currency transfers. Buyers of an Egyptian GDR, for example, do not have to worry about changing Egyptian pounds into their home currency when they receive dividends or sell their stake. These transactions are arranged by the depositary bank, with payments made in US dollars.

Q: Can anybody buy DRs?

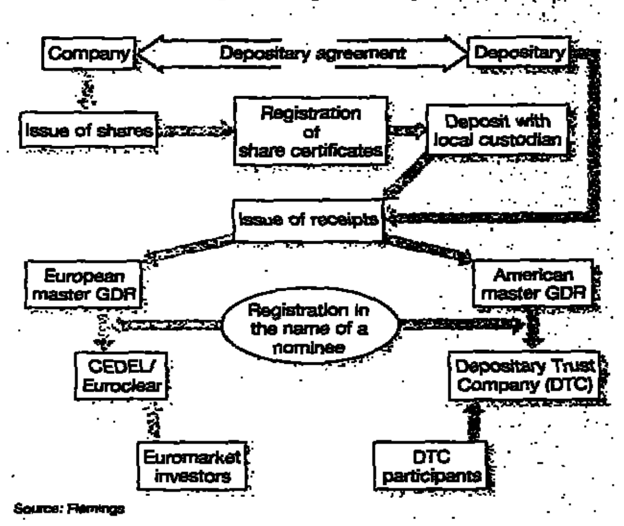
A: In most countries, yes. In the US, however, investment in foreign securities is more tightly regulated than elsewhere. The vast majority of US-listed DRs consist of so-called Level 1 offerings. They are offered under the Securities and Exchange Commission rule 144a, which requires that the products be sold only to "qualified investors" – usually institutional buyers as opposed to individuals. Level 2 – and Level 3 – DRs are accessible to most US investors, but their issuance is more complicated because the issuing company must comply with strict SEC reporting requirements.

Q: Who still buys the local shares?

A: Institutional investors with the capacity to handle international transactions in the different currencies involved.

Because of costs related to issuance and safe-keeping, DRs are often slightly more expensive than the share they represent. Holders of GDRs by Egypt's Commercial International Bank, for example, have to pay a premium of roughly 6 per cent over the price of the share on the local market.

Issuance of Depositary Receipts



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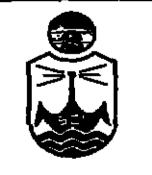

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